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# Latin America Report

No. 2244



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## LATIN AMERICA REPORT

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## CONTENTS

## ENERGY ECONOMICS

## INTER-AMERICAN AFFAIRS

## Briefs

Brazil-Chile Agreement on Oil 1

## BRAZIL

Summary of Coal Program for 1981-1985 Published  
(CORREIO BRAZILIENSE, 12 Dec 80)..... 2Coal Plan Seen Threatened by Lack of Government Policy  
Definition  
(JORNAL DO BRASIL, 14 Dec 80)..... 13Progress in Solar Energy Use Examined  
(VEJA, 10 Dec 80; O ESTADO DE SAO PAULO, 14 Dec 80)..... 17Solar Collectors Popular  
Solar Experiment in Caraguatatuba, by Priscila SiqueiraBiomass Viewed as Energy Crisis Option in Northeast  
(O GLOBO, 19 Dec 80)..... 20

## Briefs

Electrical Consumption Figures 24

## CHILE

Coal Reserves at Punta Millongue Put at 10 Million Tons  
(Julio Arroyo Kuhn; EL MERCURIO, 25 Dec 80)..... 25New Rate System Raises Cost of Electricity to Consumer  
(EL MERCURIO, 21 Dec 80)..... 27

Briefs		
Oil Platform in Magellan Strait		31
Coal Workers To Lose Jobs		31

## COUNTRY SECTION

### INTER-AMERICAN AFFAIRS

Andean Pact Seen Requiring Economic Readjustments (EL COMERCIO, 23 Dec 80).....	32
CLAT Supports Democratization, Condemns Extremism (EL MUNDO, 16 Dec 80).....	33
Briefs	
Salvadorans Deported to Nicaragua	35
Punishment of Terrorists Favored	35
Attack on Somoza Filmed	36

### ARGENTINA

Bank Official Explains Industrial, Banking Situation (LA PRENSA, 21 Nov 80).....	37
Revision of Economic System Urged at CONAE Meeting (LA NACION, 6 Dec 80).....	46
Martínez de Hoz Says Economic Crisis Rumors Politically Motivated (LA NACION, 24 Dec 80).....	48
December Monetary Expansion Reached 16.8 Billion Pesos (LA NACION, 14 Dec 80).....	50
Domestic Auto Industry Undermined by High Volume of Imports (LA NACION, 20 Dec 80).....	53
Demand Drops for Durable Consumer Goods, Farm Products (LA NACION, 16 Dec 80).....	55

### BOLIVIA

Scope of Nation's Participation in Multinational Agreements Surveyed (Rene Candia Navarro; EL DIARIO, 13, 16 Dec 80).....	57
State Turns Down Financial Aid to Private Sector (PRESENCIA, 19 Dec 80).....	63

### BRAZIL

Planning Ministry Predicts \$14 Billion in Loans for 1981 (O ESTADO DE SAO PAULO, 31 Dec 80).....	64
--	----



Prestes Views Crisis in PCB, Urges Building New Party (Luis Carlos Prestes; JORNAL DO BRASIL, 4 Jan 81).....	65
Prestes Deems PCB Central Committee To Be To Right of PP (JORNAL DO BRASIL, 27 Dec 80).....	68
Brizola Denies Support to 'More Liberals' Brossard, Simon (JORNAL DO BRASIL, 24 Dec 80).....	70
Poll Shows Majority Concerned Over Lack of Money (O GLOBO, 10 Jan 81).....	72
PCB Leader Says Party Will Continue Fight for Legalization (JORNAL DO BRASIL, 15 Dec 80).....	73
Arraes Likens Economic Model to That of Shah in Iran (JORNAL DO BRASIL, 14 Dec 80).....	75
December Inflation Rate of 6.3 Percent Is Lower Than Expected (O GLOBO, 31 Dec 80).....	77
Inflation Rate Is 5.9 Percent in December, 110 Percent for Year (O GLOBO, 9 Jan 81).....	78
CTA Airstrip Expanded To Accommodate Foreign Delegations (O ESTADO DE SAO PAULO, 28 Dec 80).....	80
FINEP Investments in Military Development Projects Reported (O ESTADO DE SAO PAULO, 7 Dec 80).....	81
FINEP Reduces Funding for Science, Technology Research (O GLOBO, 24 Dec 80).....	84
Iron, Steel Production Expected to Rise 7.2 Percent in 1981 (O ESTADO DE SAO PAULO, 17 Dec 80).....	85
Status, Prospects of Nonferrous Metals Reported (Yvan Barretto de Carvalho; MINERACAO METALURGICA, Sep 80).....	87
Industrial Performance of Northeast Worsens in 1980 (JORNAL DO BRASIL, 22 Dec 80).....	101
BRASPETRO Yields Profit of \$340 Million in 8 Years (JORNAL DO BRASIL, 28 Dec 80).....	102
Estimates Released on 1979-1980 Agricultural Production (O ESTADO DE SAO PAULO, 30 Dec 80).....	104
Bishop Defends Armed Struggle in Absence of Alternatives (Dom Valdir Calheiros; JORNAL DO BRASIL, 4 Jan 81).....	106

Briefs		
Students Arrested		108
Missile Base at Florianopolis		108
France Buys 41 Xingus		108
Reserves Decline		109
CHILE		
Swedish Embassy Still Occupied by Homeless		
(AFP, 15 Jan 81).....	110	
Return of ENAP to Private Sector Discussed		
(Gabriel Figueroa; HOY, 10-16 Dec 80).....	112	
Briefs		
European Parliament Members Visit		116
Naval Aviation Chief		116
New Mirages		116
Joint Antarctica Krill Research		116
Journalists Protest Journalism Treatment		116
CUBA		
Techniques of U.S. 'Propaganda' Campaign Discussed		
(Roberto Alvarez Quinones; GRANMA, 4 Dec 80).....	117	
Cooperation Aid to South Yemen Described		
(Rodolfo Casals; GRANMA, 4 Dec 80).....	120	
Medical Facilities Aboard Fishing Vessels Described		
(Pedro Morales; MAR Y PESCA, Oct 80).....	122	
DOMINICAN REPUBLIC		
PACOREDO Terms Warsaw Pact Tool of Aggression		
(EL NACIONAL, 13 Dec 80).....	126	
MIDA: Agrarian Reform Does Not Benefit Farmers		
(Luis Dominguez; EL CARIBE, 13 Dec 80).....	129	
GUATEMALA		
Political Parties Deemed Essential to Democratic Process		
(Editorial; DIARIO DE CENTRO AMERICA, 19 Dec 80).....	131	
MEXICO		
Fisheries Plan Declared Total Failure		
(Jesus Michel Narvaez; EL SOL DE MEXICO, 15-17 Dec 80).....	134	

## NICARAGUA

Robelo Warns of Threats Against Democracy, Labor Freedom (LA PRENSA, 7 Jan 81).....	148
Arce Discusses Various Aspects of National Unity (Alberto Reyes; BARRICADA, 2 Jan 81).....	150
Spirit of National Unity Rally Praised (Editorial; BARRICADA, 5 Jan 81).....	154
Columnist Claims Revolution Ignoring People's Complaints (Pedro J. Chamorro B.; LA PRENSA, 27 Dec 80).....	156
Columnist Deplores End of Pluralism in State Council (Wilfredo Montalvan; LA PRENSA, 1 Dec 80).....	158

## SURINAME

Dutch Support Repatriation of Surinamers (NRC HANDELSBLAD, 26 Nov 80).....	160
Surinamers in Netherlands Worry About Suriname's Future (Sig. W. Wolf; ELSEVIERS MAGAZINE, 22 Nov 80).....	162
Netherlands CDA Opposes Surinamese Illegal Aliens (NRC HANDELSBLAD, 26 Nov 80).....	165

## BRIEFS

BRAZIL-CHILE AGREEMENT ON OIL--ENAP [National Petroleum Enterprise] and PETROBRAS [Brazilian Petroleum Corporation] signed a mutual cooperation agreement in order to exchange technological, commercial and industrial information. According to the Chilean Ministry of Mines, the agreement covers technical information from the oil industry, engineering firms, manufacturers, services and marketing. It was stated here that Chilean industry will need better technology, similar to what the Brazilian enterprise uses in the Atlantic, in future offshore explorations where the water is deeper. Chile's exploration experience in Magallanes could be made available to Brazil. [Text] [Santiago EL MERCURIO in Spanish 26 Dec 80 p 4-A] 7717

CSO: 3010

## SUMMARY OF COAL PROGRAM FOR 1981-1985 PUBLISHED

Brasilia CORREIO BRAZILIENSE in Portuguese 12 Dec 80 pp 8, 9

[Summary of 1981-85 coal program prepared by the Brazilian Electric Power Enterprises Support Company (CAEEB) and approved by Mines and Energy Minister Cesar Cals]

[Text] Mines and Energy Minister Cesar Cals, who is striving to reduce our current dependency on foreign petroleum, following President Joao Figueiredo's directions, believes that coal will have great importance as a domestic energy source.

Minister Cesar Cals estimates that beginning in 1981 coal will provide the equivalent of 36,000 barrels of oil daily, reaching the equivalent of 170,000 barrels daily in 1985--the same goal as that set for alcohol.

The Mines and Energy Ministry intends to reduce the share of imported petroleum from 85 percent in 1979 to 30 percent by the end of the Figueiredo administration. And coal represents a valuable alternative to enable Brazil to take such a long step toward energy autonomy.

#### The CAEEB Study

CORREIO BRAZILIENSE today publishes an exclusive summary of the coal program for the 1981-85 period prepared by the Brazilian Electric Power Enterprises Support Company (CAEEB) and approved by Mines and Energy Minister Cesar Cals.

The program is related to the responsibilities of the Mines and Energy, Transportation, and Industry and Commerce ministries and provides for a supply of 22 million tons of steam coal in 1985 that will be absorbed by the thermoelectric power, iron and steel, cement, paper and cellulose and gasification industries.

CAEEB, in carrying out its duties, shows specific results for the work it has been doing for a little more than 1 year to market the nation's coal production. For this purpose it is using the potential of mines located in the states of Rio Grande do Sul, Santa Catarina and Parana, as well as distribution centers in

these states and in Sao Paulo and Rio de Janeiro states, which assure the complete feasibility of using coal as an alternative energy source.

The coal program summarized below gives a broad view of what Brazil will be able to do by 1985 to constantly reduce its dependency on imported petroleum, using a domestic product that is abundant throughout the southern region of Brazil.

#### Summary of the Coal Program

According to the goals established in the Brazilian Energy Model, domestic coal should participate significantly in the overall program of replacing petroleum derivatives, providing in 1985 a supply equivalent to 8.3 million tons of petroleum (about 170,000 barrels of petroleum daily).

Bearing in mind the current level of coal production, which is about 5 million usable tons annually (including metallurgical coal)--production is directed essentially to meeting the demands of the iron and steel industry and thermoelectric plants--fulfilling the above goal represents not only a considerable effort to produce an additional 22.5 million tons of usable coal annually, but also profound adjustments and changes in production structures (mining and processing), transportation, distribution and utilization.

#### Institutional Aspects

Institutionally, the Coal Program is related to the responsibilities of three ministries:

--The Mines and Energy Ministry, with the function of directing and promoting the increased supply of coal, from the stage of mineral prospecting to that of fuel distribution through the network of distribution depots now being set up;

--The Transportation Ministry, with the responsibility for operations in the area of physical transfer of this input;

--The Ministry of Industry and Commerce, with the responsibility, through decisive action at the demand level, of assisting the technological adaptations and equipment conversions necessary to use the coal.

From the institutional point of view it is also important to emphasize that the agents directly accomplishing the Coal Program will be mostly private entities, a fact the government has taken as one of its assumptions for action.

Having presented these considerations, it is now appropriate to provide current information about the measures underway for the supply system of steam coal, especially in regard to its distribution framework compatible with the increase in production.

#### Demand Profile

Within the scope of coal production and distribution, measures are being adopted based upon the forecast of demand for such energy in 1985, identified on the basis



of scheduled consumption showing a minimum level of commitment, stressing the following sectors:

**Thermoelectricity**--projections for which are based upon indicative data furnished by ELETROBRAS [Brazilian Electric Power Companies, Inc];

**Iron and Steel**--The projections for coal consumption for power generation in this sector were consolidated on the basis of the Protocol of the Iron and Steel Industry signed in November 1979 and on the current consumption of metallurgical coal used by Piratini Fine Steel Corp.

It must be recalled that some of this consumption is to be made through coal gasification, as is the case of COSIPA [Sao Paulo Iron and Steel Company] in the state of Sao Paulo;

**Cement**--Projections for coal consumption in the cement industry were consolidated on the basis of the protocol signed with that production sector in September 1979 and now in full swing. The projected amounts follow the consumption levels suggested in estimates by SNIC (National Association of the Cement Industry);

**Paper and Cellulose**--The recently-signed protocol with the paper and cellulose industry has the initial goal of replacing the equivalent of 72,000 tons of fuel oil with 106,000 tons of coal annually. In preparing projections of consumption in this sector, consumption forecast by Klabin of Parana and Riocell were also computed;

**Gasification**--Projects for generating gas from coal were based upon consumption levels forecast for the following projects:

- a) Supplying the pilot plant at the Presidente Medici Power Station/CEEE [State Electric Power Commission] beginning in 1984;
- b) Generating gas of low heating power through small gasification units (the Imbituba complex and industrial regions), according to the Santa Catarina PRO-ENERGIA [Energy Program] beginning in 1982;
- c) PETROBRAS [Brazilian Petroleum Corporation] gasification project, beginning in 1983;
- d) Generating gas of low heating power through small gasification units in Rio Grande do Sul, beginning in 1984;
- e) Supplying the pilot plant of the Jorge Lacerda Thermoelectric Power Station/ELETROSUL [Southern Electric Power Plants] in Santa Catarina, beginning in 1982;
- f) Gasification of Parana coal, according to the MINEROPAR [Parana Mining Enterprise] program, beginning in 1982;
- g) Rio de Janeiro State Gas Company gasification project (average heating power), beginning in 1985,
- h) COMGAS-SP [Sao Paulo Gas Company] gasification project (average heating power), beginning in 1985;

1) COSIPA-ULTRAFERTIL gasification project (average heating power), beginning in 1984.

The demand forecast, made as outlined above, is for a level of 22 million tons of steam coal in 1985 showing the following sectoral distribution:

Sectors	Demand (in thousands of tons)	Percentage
Thermoelectricity	3,769	17.0
Railroad Transportation	84	0.4
Iron and Steel	2,079	9.4
Cement	5,186	23.5
Fuel	2,469	11.2
Paper and Cellulose	160	0.8
Gasification	8,295	37.7
Total	22,042	100.0

(Supplementary demand bringing the total to 27.5 million tons is now being identified.)

It is important to point out that the geographical distribution of the market shown above conforms to the government strategy of energy regionalization, having as its northern limit the 20th parallel (Belo Horizonte, Minas Gerais). Within this geo-economic context, the storage depots for distributing steam coal are now installed or in the process of being installed.

#### Expansion of Production

Having outlined the demand profile, expansion of the productive system was projected according to guidelines contained in the Brazilian Energy Model, which recommend priority to using idle capacity in the sector and to open-pit mining.

In regard to the coal-mining industry, it should be mentioned that a substantial part of the sector's current supply capacity derives from private initiative. Private participation should be further strengthened in the future, conforming to government recommendations. To a degree, this is already being done, through transfer of CPRM (Mineral Resources Prospecting Company) mining units.

In the context of production the government, through the MME [Mines and Energy Ministry] and the CAEEB (Brazilian Electric Power Enterprises Support Company), performs the regulatory functions of planning its balanced expansion and providing approved projects with funds to be recycled to the mining sector for adapting it to the new demands of the national energy market.

In this respect, CAEEB, in performing its functions, which are being conducted jointly and in close association with the mining sector, can already show concrete results for its work, in the form of the various mining and processing projects submitted to it, which are:



## Rio Grande do Sul Coal

Urui Mine (CRM [expansion unknown])--Project being analyzed by CAEEB, representing an investment of \$26 million for an annual production of 1.6 million R.O.M. [run-of-the-mine?] tons (open-pit mining).

Leao II Mine (CRM)--Project being analyzed, involving an investment of \$90 million for an annual production of 2.4 million tons R.O.M. (underground mining).

Candiota Mine (CRM)--Project for expansion of existing mine being analyzed, requiring an investment of \$20 million for an annual production of 2.8 million tons R.O.M. (open-pit mining).

Recreio Mine (COPELMI [expansion unknown])--Project being analyzed by CAEEB calling for an investment of \$22 million and annual production of 3.4 million tons R.O.M. (open-pit mining).

Triundo Mine (COPELMI)--Project being analyzed by CAEEB, requiring an investment of \$140 million for an annual production of 2 million tons R.O.M. (underground mining).

## Santa Catarina Coal

Mine 3 (CBC [expansion unknown]-Ararangua)--Project being analyzed by CAEEB, for an investment of \$11 million and annual production of 600,000 tons of pre-washed coal (CPL).

Mine 2 (C. C. Criciúma [Criciúma Coal Company?])--Project being analyzed by CAEEB, providing for investment of \$28 million for annual production of 800,000 tons CPL.

Rio America and Rio Caete Mines (C.C. Urussanga)--Projects being analyzed by CAEEB, requiring investment of \$27 million for annual production of 1,000 [as published; 1 million?] tons of steam coal.

Besides the projects already submitted for mining coal in Rio Grande do Sul and Santa Catarina, another 32 mining projects are to be submitted to CAEEB, of which 9 are from Rio Grande do Sul and 23 are from Santa Catarina (including in these figures the CPRM mining units to be transferred to the private sector).

In regard to Parana coal, the mining program is based upon underground mines, essentially for expansion of existing mines.

Having taken into consideration the necessary adjustments, the production potential of coal to be used in 1985 shown in the table below assures supply for the demand identified in the previous table.

Producing State	Production Potential (in thousands of tons)	Percentage
Rio Grande do Sul	15,234	64.2
Santa Catarina	7,143 (*)	30.1
Parana	1,344	5.7
TOTAL	23,721	100.0

(\*) Excluding metallurgical coal.

## Distribution

To meet forecast demand for steam coal, the CAEEB has been installing a diversified network for marketing and distributing this input, deployed at strategic points of the area reserved for coal supply, which extends from Rio Grande do Sul to the parallel of Belo Horizonte, Minas Gerais.

The program now underway for installing distribution centers is participated in by representatives of various organs of the Transportation Ministry (GEIPOT [Executive Group for Study of Transportation Integration Policy], RFFSA [Federal Railway Network], ACEF [Federal Network of General Railroad Warehouses], PORTOBRAS [Brazilian Ports Enterprise]), the National Petroleum Council (CNP) and the governors of coal-producing states, coordinated by the MTE through the CAEEB.

### Distribution Depots in Operation

The following distribution centers for marketing and distributing steam coal are now in full operation:

#### In Rio Grande do Sul

Charqueadas Depot--Situated near the coal-washing plant of Piratini Fine Steel Corp. in Charqueadas, it has capacity to store about 100,000 tons per month. Besides supplying the Rio Grande do Sul cement sector and other small local industry, it serves as a distribution center for storage depots located in other states.

#### In Santa Catarina

Tubarão Depot--Situated near the Capivari coal-washing plant [LAVACAP], with capacity to stock up to 4 million tons. Receives an average monthly supply of 50,000 tons of coal from processing of pre-washed coal (CPL). Supplies the Catarinense cement factory in Itajaí, Santa Catarina, as well as other small and medium-sized local industries. It also operates as a coal-distribution center for other consuming states.

#### In Paraná

Antonina Depot--Located at the port of Antonina, it has capacity for stocking about 35,000 tons a month. It gives priority to supplying the state's three cement companies with Santa Catarina coal.

#### In São Paulo

Almoa Depot--Situated next to the port of Santos, it has a storage capacity of 80,000 tons per month. It supplies the cement industries of São Paulo, Minas Gerais and Mato Grosso do Sul, besides other small and medium-sized São Paulo industries.

#### In Rio de Janeiro

Rio de Janeiro Depot--Located in the port region, with capacity to stock up to 50,000 tons per month. It supplies the cement industries of Rio de Janeiro, Minas Gerais and Espírito Santo, besides other small and medium-sized industries.

## Distribution Depots Being Set Up

### In Rio Grande do Sul

Butia Depot--Situating near the Leao I mine in Butia, with capacity for stocking 100,000 tons per month. The depot will be supplied with coal processed in the Leao I mine's coal-washing plant and will supply Rio Grande do Sul industries, as well as being a distribution center for coal for other consuming states.

Porto Alegre Depot--To be situated in the port area of the Rio Grande do Sul capital, with a storage capacity of 150,000 tons per month. Its main purpose will be to serve as a distribution pole for coal via the South Trunk of the RFFSA.

### In Santa Catarina

Itajaí Depot--Although its exact location is not yet decided, it is to have a storage capacity of 75,000 tons per month. It will give priority to supplying the cement industry and other industrial segments. This depot will be supplied by the Tubarao Depot.

### In Parana

Balsa Nova Depot--The site has been selected and negotiations are underway for its purchase. Its area is about 30,000 square meters, with capacity to stock 70,000 tons of coal a month. It will supply Parana cement industries with coal from the Jacui basin of Rio Grande do Sul, via the South Trunk.

### In Sao Paulo

Sorocaba Depot--To be located near the FEPASA [Sao Paulo Railroad, Inc] George Oetterer railway station, with a capacity for storing 130,000 tons of coal per month, mainly supplying Sao Paulo cement industries with Rio Grande do Sul coal hauled via the South Trunk.

### In Rio de Janeiro

Sepetiba Depot--Negotiations are underway with PETROBRAS to obtain the area needed for installing the depot at the Sepetiba port. The initial storage capacity will be 100,000 tons per month and it will supply the cement industry of the states of Rio de Janeiro and Minas Gerais. In the future it will supply the coal-gasification plant of the Rio de Janeiro State Gas Company (CEG-RJ) in Itaguaí, Rio de Janeiro.

### In Minas Gerais

Matozinhos Depot--The site has been chosen and negotiations are underway to buy or rent the area, which has about 150,000 square meters. It is to have a storage capacity of 140,000 tons per month, to supply Minas Gerais cement plants with coals from Rio Grande do Sul and Santa Catarina. This depot will be supplied at first by the port of Rio de Janeiro, as long as it cannot be through the port of Vitoria. What hinders the latter alternative is the difficult Santa Barbara-Costa Lacerda passage, due to its heavy traffic.

## In Espirito Santo

Vitoria Depot--The PAUL terminal in the port of Vitoria was considered a favorable place for this depot, although it is not in suitable condition for immediate installation. Meanwhile, the area adjacent to the present USIMINAS (Minas Gerais Iron and Steel Mills, Inc) port terminal can be reserved for a first stage of the facility. Later it can make use of the existing terminal's coal-handling and unloading equipment, when USIMINAS moves to the Praia Mole terminal.

The area to be occupied is about 40,000 square meters, for a storage capacity of 150,000 tons per month. It will supply the Itabira cement factory in Espirito Santo and in the future will serve to relieve the Matosinhos depot in Minas Gerais.

In addition to the installed depots and those to be installed mentioned above, which will make up the basic distribution structure for steam coal, the CAEEB is already studying and forecasting future deployment of the distribution network to supply emerging markets in more remote areas where their size justifies such installation.

## Extension of Distribution Network

In Rio Grande do Sul--Studies have indicated the cities of Caxias do Sul, Passo Fundo, Estrela and Santo Angelo.

In Parana--Possible inland sites of storage depots could be Ponta Grossa, Londrina, Maringa and Jacarezinho.

In Sao Paulo--The studies suggest establishing distribution depots in Santo Andre, Mogi das Cruzes, Campinas, Mogi-Guacu, Limeira, Sao Jose dos Campos, Itu, Bauru and Riberao Preto.

In Minas Gerais--The most likely cities include Juiz de Fora, Uberaba, Montes Claros, Ipatinga, Lavras and Divinopolis.

The investments needed to extend the distribution network will become known through site-location studies now in progress.

Investments needed to install the planned distribution network are estimated to be 571 million cruzeiros, without counting investment for buying land or future extension of the distribution network.

## Selling Prices

The following sales prices are currently in force in the production units as well as in the distribution centers set up by CAEEB outside of the producing states, according to the type and source of coal:

[See table on next page]

Producing State	Type of Coal (Mine)	Selling Price (cruzeiros per ton)
Rio Grande do Sul	Unprocessed (Candiota)	134.18
	GRAIDV [translation unknown] (Leao)	742.36
	TECH [translation unknown] (Charqueadas)	503.11
	40-percent ash Steam Coal (Recreio)	656.33
	35-percent ash Steam Coal (Recreio-Leao)	916.78
Santa Catarina	40-percent ash Steam Coal (LAVACAP)	805.93
	LOC [translation unknown] Steam Coal (LAVACAP)	981.33
	35-percent ash Steam Coal (LAVACAP-Prospera)	916.96
Parana	Coarse (Figueira)	665.96
	Fine (Figueira)	601.22

The above prices represent 50 percent of production prices, thus constituting the competitive margin and incentive for expanding consumption of coal as a substitute for fuel oil.

It is worth pointing out that the coals currently offered for sale in the distribution centers at Antonina (Parana), Santos (Sao Paulo) and Rio de Janeiro (Rio de Janeiro state), which are:

- 35 percent ash steam coal from Rio Grande do Sul and Santa Catarina; and
- 40 percent ash steam coal from Santa Catarina;

have their transportation and handling costs, from the producing unit to the storage area of the abovementioned distribution centers, completely subsidized, so that the consumer pays only the cost of loading and shipping to his factory site.

CAEEB is now conducting studies for standardizing selling prices of steam coal, according to type of coal, in keeping with fuel value and heating efficiency in comparison with fuel oil.

This standardization is a necessary step toward, among other things, gradually removing exogenous subsidies from the economic cycle of coal.

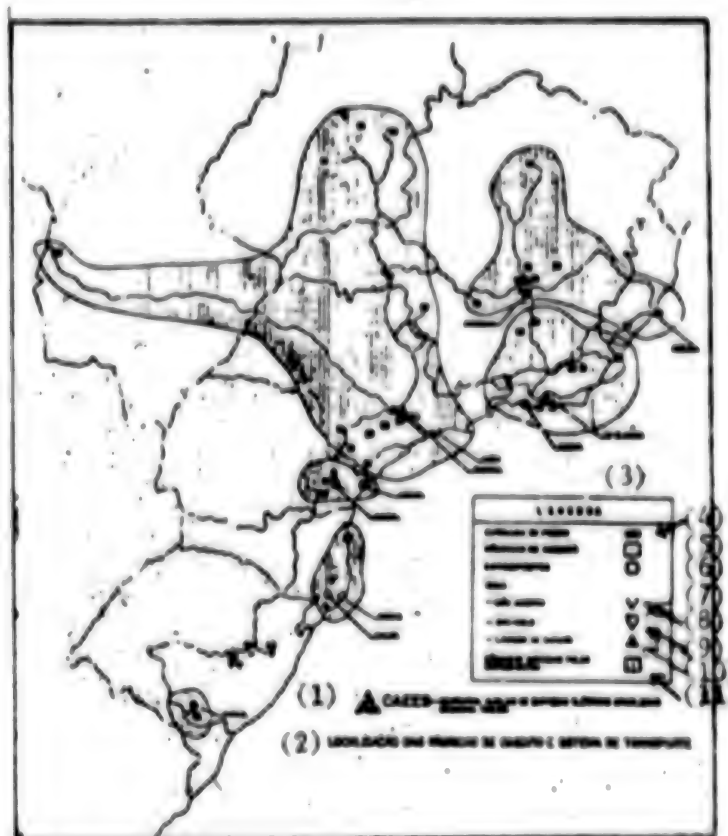
#### Research and Development

Technological research regarding the use of coal is contemplated, encompassing the following subareas:

- Specification and classification
- Storage
- Handling and transportation
- Processing
- Briquetting
- Carbonization
- Combustion
- Gasification
- Liquification
- Others

## Final Remarks

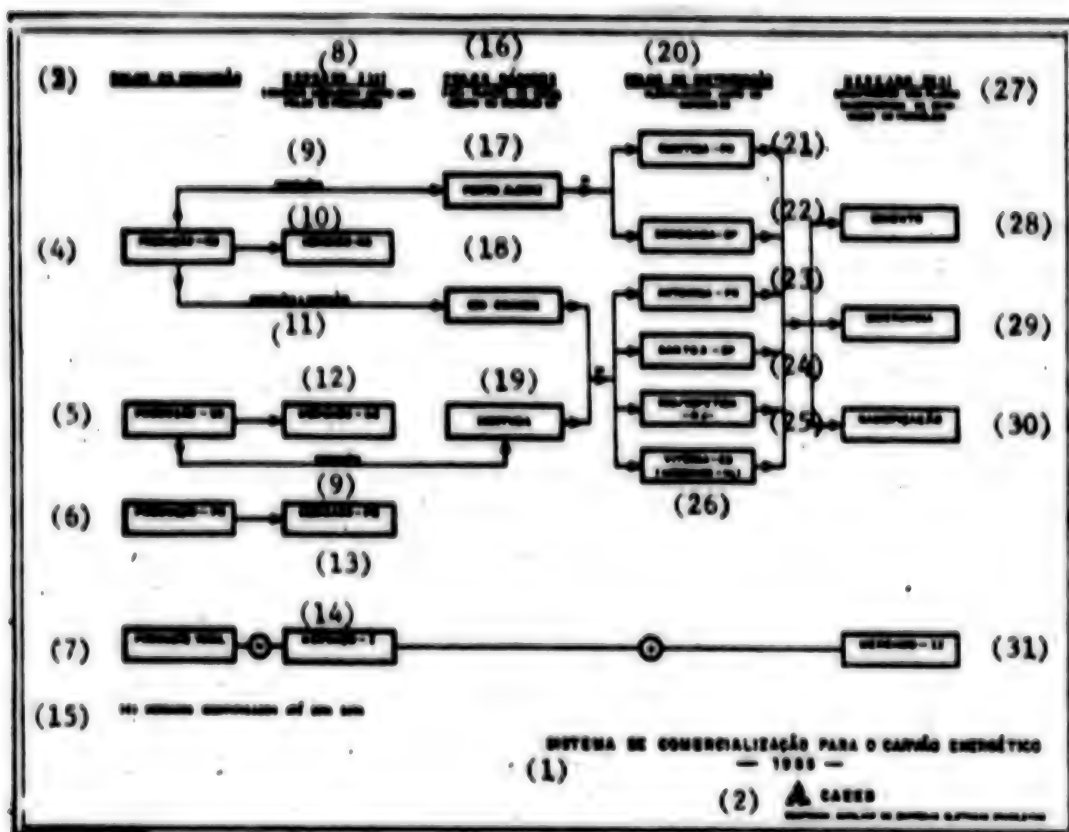
In order to give a panoramic view of what is under discussion, the map below indicates the areas affected by the distribution centers, taking as a basis the most immediate segment of consumption, the cement industry. And for a better idea of the process, one may refer to the sector's flow chart shown in the diagram below.



## Key:

1. CAEEB--Brazilian Electric Power Enterprises Support Company, Technical Department
2. Location of Cement Factories and Transportation System
3. Legend
4. Railroad
5. Cement Factory
6. Distribution Center
7. Mine
8. Open Pit
9. Underground
10. Coal-Washing Plant
11. Factories Supplied by the Distribution Centers





**Key:**

- |   |   |
|---|---|
| 1. Marketing System for Steam Coal--1985                        | 17. Porto Alegre  |
| 2. CAEEB--Brazilian Electric Power Enterprise Support Company   | 18. Rio Grande  |
| 3. Production Centers   | 19. Imbituba  |
| 4. Rio Grande do Sul Production                                 | 20. Distribution Centers--<br>Located Near Market II                                    |
| 5. Santa Catarina Production                                    | 21. Curitiba, Parana  |
| 6. Parana Production  | 22. Sorocaba, Sao Paulo   |
| 7. Total Production   | 23. Antonina, Parana  |
| 8. Market I (*)--Consumption<br>Located Near Production Centers | 24. Santos, Sao Paulo   |
| 9. Via Railway  | 25. Rio/Sepetiba, Rio de Janeiro  |
| 10. Rio Grande do Sul Market                                    | 26. Vitoria, Espirito Santo<br>(Matozinhos, Minas Gerais)                               |
| 11. Via Railway and Waterway                                    | 27. Market II (*)--Destination of Flows<br>for Substitution of Petroleum<br>Derivatives |
| 12. Santa Catarina Market                                       | 28. Cement  |
| 13. Parana Market   | 29. Iron and Steel  |
| 14. Market I  | 30. Gasification  |
| 15. (*)Markets Identified as of<br>Present Date                 | 31. Market II   |
| 16. Basic Centers of Shipping<br>Flows to Market II             |   |

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CSO: 3001

## COAL PLAN SEEN THREATENED BY LACK OF GOVERNMENT POLICY DEFINITION

Rio de Janeiro JORNAL DO BRASIL in Portuguese 14 Dec 80 p 49

[Text] The failure of the government to define a coal policy continues to be the greatest hindrance to the use of this alternative energy source by our industries. Businessmen in the sector believe that the coal program has not been launched because it depends on a series of definitions the government must make in order to achieve the goal of 27,500,000 tons of coal by 1985. A price policy, both for the producer and for the consumer, remains to be defined, as does the volume of resources to be invested in the coming year, and a centralized coal policy body and a transportation plan need to be set up.

The government, on the other hand, through the National Petroleum Council (CNP), says that there already is a coal policy and it offers as the main justification the solicitation of bids for the allocation of the deposits of the Mineral Resources Prospecting Company (CPRM) from interested enterprises and private groups. It further announces substantial investments in transportation for 1981, and is now even studying the possibility of importing coal.

## Businessman Notes Shortcomings

[By Fatima Belchior]

The PROCARVAO [National Coal Program], established more than a year ago, is still awaiting a series of government definitions so as to be able to achieve the goal of 27,500,000 tons by 1985 and to break the vicious circle created by the expectations of producers, consumers and the government itself. It is not even known what its policy for the coming years will be. Therefore, producers have no incentive to invest. Consumers, for their part, feel hesitant about modifying energy systems, and without clarification of these two secrets, the government has difficulty in drafting its plans.

Unlike the PROALCOOL [National Alcohol Program], which is regarded as a success today--it has already achieved 40 percent of the 1985 goal and has another 20 percent almost guaranteed--the PROCARVAO is still far from what the government intends. This year, 3,500,000 tons should be produced, along with 5 million next year, representing not even 20 percent of the planned total. The difference in age between the two programs is without a doubt the best explanation for this gap, and the PROALCOOL itself passed through this stage. However, while it has been



given full support by the various sectors involved--producers, automobile industry, consumers and government--the participants in the PROCARVAO do not know even how prices will be set or how much will be received from the Energy Mobilization Fund of the Ministry of Mines and Energy.

#### Doubts

Businessman Alvaro Catao, of the Arangua Brazilian Carboniferous Company and the Barro Branco National Coal Mining Company, for example, believes that some facts emerged in 1980 which can contribute to an improvement of the present PROCARVAO situation. The Bank of Brazil and the National Economic Development Bank (BNDE) were appointed as financial agents and the Brazilian Auxiliary Electrical Energy Company (CASEB) was appointed the executive body for analyses and approval of projects for the sector.

But, he also recalled, the price policy, both for producers and consumers, remains undefined. It is still not known what volume of resources will be assigned to the sector for the coming year, and therefore what the financing scheme will be. There is also a need to centralize, in a specific body, all coal policy. The fact still remains that there is great uncertainty about all this--even whether Energy Mobilization Fund resources will be allocated to the sector, for during this year, Catao has revealed, there is no knowledge of anyone who has received even a penny through this system.

He said that it is estimated that the fund handles \$1.2 billion annually, to be distributed in equal parts to PROALCOOL, fuel rationalization programs, PROCARVAO and other projects. According to this, the projects in the coal energy sector would be entitled next year to 24 billion cruzeiros (\$400 million), and according to what is known to date, the production sector will receive 5 billion cruzeiros. This businessman feels that whether or not this amount is sufficient will depend greatly on the projects to be submitted. He stresses, however, that even so, "it is important that this one-third for coal be respected."

The definition of these resources will also make it clearer what the BNDE financing policy will be, clarification which the bank and businessmen are awaiting. In fact, by way of anticipating a broader PROCARVAO, the BNDE, by means of Resolution 547 of July of this year, approved establishment of the Special Program for Integrated Support of Anthracite Coal. At the beginning, the bank's idea was to finance it with its own resources, involving higher costs than if it were handling monies coming from the Fund, as is the case with PROALCOOL.

This too is one of the complaints of businessman Alvaro Catao. Recognizing that in 1980, the resources allocated to the sector came exclusively from development banks, he concludes that they were more costly--there is full monetary correction, while for alcohol it comes to 40 percent of the variation in the ORTN, although of shorter duration. In the BNDE resolution itself, there is an item stressing that the financing conditions will be adjusted as soon as the first resources are received from the Energy Mobilization Fund, although no one knows when this will happen or what it will entail.

This year, for example, the BNDE planning for coal calls for financing of 160 million cruzeiros, of which 43 million had been paid out under the conditions set forth in Resolution 547 by October. It would be difficult for the bank to pay out the balance in these final days of December, because it has not been in a position even to carry out the programs already contracted for, as a function of a national treasury obligation. But even if it could, it would have to have projects in hand in order to do so. These in turn are coming along sluggishly, due to the lack of general definitions.

On the question of transportation for shipping production out, which caused problems for the businessmen in the southern part of the country this year, Alvaro Catao said he was confident, not only because a large part of the problem has already been resolved this year, but also because of guarantees from Minister Elizeu Rezende that 80.3 billion cruzeiros will be allocated to this sector. In terms of definition, however, a guarantee of resources from the Fund and a price policy remain to be obtained.

Although basic, the establishment of these guidelines will not be sufficient to promote the PROCARVAO, which will have a critical year in 1981 due to the existing lag. According to BNDE technicians who attended the meeting sponsored by the bank on coal in Porto Alegre, a consensus was reached to the effect that the first step to be taken is achievement of a better understanding between consumers and producers.

#### CNP Provides Reassurance

[By Valfranio Medeiros]

Brasilia--On the basis of the goal for anthracite coal already set by the government for 1985, i.e. the production of 27,500,000 tons, the National Petroleum Council, the body responsible for the price policy, rejects the statement that the government policy for this fuel has not as yet been defined in terms of the production, marketing and transportation aspects.

The president of the body, Gen Oziel Almeida Costa, says that this is plainly not true since the bids for the granting of CPRM deposits to interested enterprises and private groups have already been solicited. Apart from this, he stressed, the Research and Mining Company (COPELMI) in Rio Grande do Sul is receiving the full support of the Ministry of Mines and Energy in completing an agreement with the French National Coal Board for the development of a large coal mine in that state.

#### New Mines

The CPRM, in addition to the Leao mine, now in the pre-installation stage, has submitted a detailed plan to the CNP for the new open-pit Irui mine, which is expected to produce 360,000 tons of coal by the second half of 1981, with a 35 percent ash content, for the cement industry. This mine should reach full capacity in 1984, with production totaling 1,435,000 tons.

Mine development projects with a view to the production of coal for energy are expected to be launched in Santa Catarina, according to the CNP. The metallurgical

coal production of that state will continue to be expanded to meet the needs of the domestic metallurgical industry, without any problem in increase to meet the demand.

According to CNP figures, the cement industry, the first sector to sign the cement replacement protocol and the first sector to sign the protocol on replacing fuel oil with anthracite coal, has already consumed more than 800,000 tons of coal-steam this year, representing more than 50 percent of the volume consumed in the production of thermoelectric power.

The paper and cellulose industries, which also signed the substitution protocol, as well as the ceramics industry, consumed, equally distributed, a total of 220,000 tons of energy coal in the first 10 months of this year. In other production sectors, within this policy of replacing oil products, the coal consumed totaled 180,000 tons.

#### Bottleneck

However the CNP technicians noted that a minor bottleneck in the shipping of coal from Santa Catarina in the first half of this year, along with accumulations from the last quarter of 1979, led to the stocking of 250,000 tons of coal near the mining area. An emergency plan was drafted and the flow of vessels to the port of Imbituba in Santa Catarina was synchronized, making it possible to ship out this entire stock and the current production and to normalize the flow.

The president of the CNP is certain that the present price policy for anthracite coal is just both for producers and for consumers. It is his view that the current price levels for this fuel are a stimulus, an incentive for producers to be more insistent in the production sector, making the development of new substitutes for fuel oil attractive.

As to the question of coal price subsidies, the president of the CNP says that this practice has been pursued since 1975 with a view to encouraging the substitution of energy coal for fuel oil. However, General Oziel says, the subsidy levels have been gradually reduced in accordance with a government guideline drafted by the National Energy Commission (CNE).

At one of its most recent meetings, the CNE established a ratio between fuel oil and coal prices in terms of cost per kilocalorie/kilogram, i.e. the heating power of these two fuels. According to the CNE criteria, the anthracite coal price will not exceed 70 percent of the cost of fuel oil.

5157  
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## PROGRESS IN SOLAR ENERGY USE EXAMINED

## Solar Collectors Popular

Sao Paulo VEJA in Portuguese 10 Dec 80 pp 130-131

[Text] Relegated to the realm of oddities until a short time ago, the use of solar energy is beginning gradually to win credibility in Brazil. Last week was rich in novelties in this connection. In Brasilia, the Ministry of Mines and Energy announced a plan to promote the installation of a million solar collectors in the country by 1985, for uses as varied as heating water for homes, drying farm products and desalinizing sea water. The oil economy which would result from this is insignificant--1,500 barrels a day, whereas Brazil plans to import 750,000 per day in 1981. But the goal is considered valid and sufficient to justify government support in the forms of incentives ranging from financing for industries to income tax allowances for amounts spent on purchasing heaters.

The goals of the producers are more cautious than those of the government, but nonetheless indicative. Cumulus, in Sao Paulo, the largest enterprise in this sector in the state, has just added to its network of small retail outlets the largest department store in the country, Mappin, which last week announced the sale of solar heaters with no down payment and up to 15 monthly installments of 9,560 cruzeiros. Meanwhile, Faet, the Rio de Janeiro leader in this sector, arranged with a Moroccan trade mission for the export of a still-unspecified quantity of solar heaters, as a first stage with a view to the future building of a factory in Morocco. Each of these enterprises is selling about 400 heaters a month currently, they say. And it is estimated that the other 40 factories in the country are producing a monthly total of another 400 solar heaters.

## Lack of Confidence

These figures are still insignificant if compared with the potential market believed to exist in the country. In order for Brazil to reach levels near those in countries such as Israel, one of the pioneers in the use of solar energy--with 3.5 million inhabitants, there are 300,000 solar heaters--or even the United States, where in the last 4 years alone more than 250,000 solar collectors were installed, 2 major obstacles still must be overcome. The first is the natural suspicion of a technological novelty on the part of consumers. The second barrier is the cost of an installation--a system for heating water for a home with 4 residents costs at least 75,000 cruzeiros.



In an effort to lower the cost of the product, researchers at the University of Campinas have now developed a heater about 30 percent cheaper than the conventional one. "The difference," explains Marcial Serrano, director of CODESOL, an enterprise established to market the product, "lies in the pressurizing of the system, through the use of the pressure of the water coming from the street, making it possible to reduce the dimensions of one of the tanks, providing the advantage of a more aesthetic installation." Otherwise the system functions like the conventional ones: the water is heated as it passes through copper tubing set in aluminum plates which capture the heat of the sun, which is stored in a separate tank. When there is not sufficient heat and the water temperature drops to 45°, an electric heating system automatically cuts in.

A lengthy period of rainfall, therefore, does not prevent the use of the heater, except that in this case it will consume much more electrical energy. Thus it is more advantageous to install a solar heater in the Northeast--where the annual sunshine average totals 2,800 hours--than, for example, in Sao Paulo, which has 2,000 hours of sunshine per year, or Rio de Janeiro, which has 2,100 hours. However, even in the case of cities with less sunshine, the energy savings provided by solar heaters are significant, representing on an average 70 percent, as compared to electric or gas heaters.

"The savings have not yet been felt," says Dona Ina de Paula, who installed a solar heating system even for her swimming pool at her home in a middle-class neighborhood in Saude, Sao Paulo, "but that it works cannot be denied." Dona Ina says that "in one year, we have never failed to have a hot bath." From every indication, many other citizens of Sao Paulo will also be bathing in water heated by solar energy as well in the near future. Last week, Mappin received a daily average of five inquiries from potential buyers.

#### Solar Experiment in Caraguatatuba

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Dec 80 p 45

[Article by Priscila Siqueira]

[Text] The first generator powered by solar energy to be installed in Brazil has been operating for 2 months in Pico do Jaragua, in the municipality of Caraguatatuba, at an elevation of 745 meters. Sharp of Brazil is responsible for this experiment, which has been yielding excellent results. The solar battery energy system is already being used by radio enthusiasts in the region and by the Ilhabela Yacht Club, in the coastal navigation safety system.

The solar reactor system involves large panels with photovoltaic cells which transform solar energy into electric energy. It is stored in a complex of batteries which can be used for very different purposes. According to Italian engineer Luigi Fogliotti, the solar energy production system is continuous and unending, because only when there is no light at all, that is at night, does the processing into electrical energy stop. "In any case, the energy stored in the batteries provides a comfortable safety margin for the operation of the system."

"According to surveys made over a period of 10 years in the Paraiba Valley and on the northern coast of Sao Paulo, the maximum number of consecutive days of rainfall recorded was 10 days. The reactor was planned to have a storage system such as to enable the equipment to function even if there is no sunshine for that length of time. Another advantage of the system is that maintenance is almost totally unnecessary, and there are cases in which no repairs have been required for over 4 years."

Sharp began its studies and the development of solar cells at the end of the 1950s. It introduced the first commercial land model on the market in 1963. Communications satellites and interplanetary stations utilize this system. It can also be used for signaling at airports, traffic control for railroads and highways, ocean signaling, at meteorological stations, and in all types of telecommunications. There have even been experiments in its use in the irrigation of agricultural lands. Engineer Reinaldo D'Ambrosio, who is also involved in the project, believes that within a few years the solar energy generating system can be used even for private homes, as it is in a house in Japao, where all of the energy necessary for its operation is obtained from the rays of the sun.

The batteries used in the solar energy generator installed at Pico do Jaragua--where the FEPASA [Sao Paulo Railroad, Inc] tower is also located--are domestically produced.

#### Amateur Radio Operators

The solar reactor installed in Caraguatatuba will be transferred to the municipality of Ilhabela, where the mountains are higher, toward the end of February. Its installation in Pico do Jaragua was dictated by the ease of access, since access to Ilhabela is only possible by means of helicopter.

Silvio Fernandes, sectional deputy director of the Brazilian Radio Amateurs' League (LABRE) on the northern coast, believes that with the installation of this reactor in Ilhabela, the equipment can be used from the Sergipe coast to the coast of Argentina. An amateur radio operator who played an outstanding role at the time of the Caraguatatuba catastrophe in March of 1967, he stresses the confidence a system such as this provides in his work. "In amateur radio an energy failure, even if only for a minute, may mean the lack of aid which could save many human lives."

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CSO: 3001

## BIOMASS VIEWED AS ENERGY CRISIS OPTION IN NORTHEAST

Rio de Janeiro O GLOBO in Portuguese 19 Dec 80 p 10

[Text] Apart from alcohol production--about 30 percent of the total production of the country, the Northeast can provide various options for alternative energy sources, mainly where biomass is concerned, since it is in the 1,640,000 square kilometers of this region that the majority of the various types of biomass already known are concentrated. Experiments involving the use of castor oil as a lubricant carried out by the Bahia Research and Development Center, and the possibility of using quince oil as a substitute for diesel fuel, being studied by technicians at the Federal University of Ceara (UFC), are among the other alternatives.

Because of its widespread agricultural activity and because it is the region with the greatest rural and urban underemployment in the country, the Northeast also offers better conditions than any other region for the development of factories to produce alcohol from cassava. To meet its needs and to reduce dependence on imported oil gradually, the country would need at least 50 modules for 2 to 10,000 liters of cassava alcohol per day, according to Amaury Santos Fassey, co-author of the National Alcohol Program. According to a government estimate, Brazil could produce 10.7 billion cubic meters of ethanol for the chemical and fuel market by 1985. But this energy market supply cannot, in the long run, depend on the fluctuations in the international price of sugar. This is the reason for the emphasis on autonomous distilleries and diversity of raw materials.

## Black Quince

Since 1975, a group of scientists at the Federal University of Ceara (Afranio Craveiro, Oswaldo Bezerra Carioca and Jose Braga Paiva) have been engaged in research on a euphorbiaceous forest species of the genus Croton, generally known as the black quince, which, their conclusions suggest, should provide a new non-conventional renewable energy source and contribute to the replacement of petroleum in the production of diesel fuel.

Financed by resources from the Urban Transportation Development Fund and using UFC equipment, the researchers have traveled to the dry hinterlands of the Northeast, collecting samples of the species and returning to their laboratories at the Chemistry Department of the Agrarian Sciences Center at the UFC in the hope that their work might help Brazil become less dependent on imported oil. This choice was made, they say, because the black quince is a species which produces oil from its roots to its leaves.

Chemical analysis of the oil of the black quince, the UFC researchers say, has revealed that its components are similar to those of the conventional fuels derived from oil. The establishment of its consistent physical values, close to those of diesel fuel, and the discovery of the potential of the species, aroused the interest of the Brazilian Urban Transport Company (EBTU) and the National Scientific and Technological Development Council, which tested the oil on the diesel engines of the army mechanized motor fleet.

In the testing, varying percentages of diesel fuel and quince oil were used in laboratory simulation engines to study power, consumption, smoke, deposits and other characteristics regarded as important, and at the end of the testing, the scientists reached the conclusion that the quince yields diesel fuel. Currently the technicians are making more detailed studies on the use of quince oil in functioning engines.

The process of extracting oil from the black quince, known as steam extraction, is rather simple, the UFC scientists explain, and the technology has already been developed. Since it does not require fermenting (as is the case in the production of alcohol) or cracking (as is required for other processes), this method allows the direct extraction of plant materials which lend themselves to use as fuels, lubricants, acids, gases, wood and cellulose substances.

The extraction of quince oil was initially carried out under laboratory conditions, making it possible to extract only a minute quantity, a few milliliters. Thus it is therefore now necessary to build a pilot plant which can extract oil in terms of liters. Such a plant has already been built in Ceara and is functioning normally, and later studies must be made with a view to developing the process of extracting quince oil on an industrial basis.

According to the studies of the Ceara scientists, the first assessment of the quince yielded promising characteristics, because it was found to have a high level of hydrocarbons with 10 to 15 carbon atoms, which would allow the simple and direct use of the oil as a fuel without any subsequent operations. In addition to this, a series of physical constants required by the National Petroleum Council for fuel oil, and their comparison with diesel fuel, were established. The most important result of these tests was the establishment of a heating capacity of about 10,300 kilocalories per kilogram, regarded as excellent in comparison to that of diesel fuel, which is about 10,800 kilocalories per kilogram.

Where technical viability is concerned for use as a diesel engine fuel, the main results obtained from the studies by the scientists at the UFC show that mixtures with 10 percent and 50 percent quince oil were found compatible with the usual diesel engine parameters, i.e. the proportions used do not require alterations in the conventional diesel engine, having shown a satisfactory yield in operation. With the usual diesel engine parameters adapted for quince oil exclusively (100 percent), excellent operation of the engines being tested was obtained.

#### Castor Oil

New types of plants producing lubricating oil and other chemical products obtained from castor oil, which will replace various imported oil products, should



begin operation within 3 or 4 years, providing a foreign exchange savings for the country of about \$180 million per year. A program to achieve this is being carried out by the Bahia Research and Development Center, its director, Irundi Edelweiss, has revealed.

There are already business groups, including some in Bahia, interested in building plants to produce basic lubricants derived from castor oil, and the projects for the installation of the first plant will be entirely financed by the government, which will also operate one of them. The plant, which will be privately owned, will nonetheless receive 100-percent government financing, according to information obtained from the Bahia secretary of industry and trade.

This project is to follow two others already completed by the Research and Development Center in the area: one involving the Bank of Brazil, pertaining to the technology for alternative uses, strategies, production and marketing programs for castor oil, and the other, arranged by the PETROBRAS [Brazilian Petroleum Corporation]/CENPES [Research and Development Center], involving the production of lubricants and greases from castor oil. The studies on the use of castor oil as a vehicle lubricant lasted 12 months and were completed in 1979.

According to the Bahia Research and Development Center study, a liter of basic lubricant synthesized from castor oil replaces 4 liters of lubricant derived from petroleum, due to the greater length of replacement time. In other words, the lubricant synthesized from castor oil lasts 4 times as long as the lubricant derived from petroleum. And there will be no raw material problems, because Brazil is the largest world producer of castor oil and ideal ecological conditions for its cultivation exist in the Northeast.

It is probable that the proposed plants for the production of lubricants synthesized from castor oil will be located in Bahia, since that state accounts for approximately 60 percent of the domestic castor oil production. The ecological optimum for its cultivation would be precisely the Irecé and São Francisco Depression regions. Another contributing factor is the existence of an industrial park for the production of crude castor oil on a suitable technical level, according to the director of the Research and Development Center.

In addition to lubricants, a number of other byproducts of castor oil could be utilized advantageously by Brazil in terms of foreign exchange savings. By way of example, chlorinated castor oil could replace chlorinated petroleum paraffin, used as a plasticizing agent. Biodegradable detergents obtained from ethoxylated castor oil were also studied by the Bahia Research and Development Center and, if castor oil were used exclusively for this purpose, the domestic consumption would be doubled.

#### National Biomass Center

The Ceará Federation of Industries submitted a proposal to the federal government this year projecting the establishment of a National Biomass Center in the state, with the utilization of biomass for energy purposes as its primary goal. The

project calls for research on a broad base, and would promote development of processes and engineering and would formulate guidelines for the production of equipment and the training of specialized human resources.

The federation's plan opts clearly and definitely for the development of programs which will allow the expansion of the industrial park in the energy sector, free of foreign dependence, not only with a view to replacing oil products, but also in terms of the use of imported technological models. And biomass will make it possible to achieve this goal, planners say, through the efficient use of the chemical energy stored in plants in the form of carbohydrates, oils and other components.

The approval of this project on the state level, on a proper scale of operation, making use of the various types of biomass, will make it possible to produce ethanol, methane gas, charcoal, oils and other products, as well as some types of animal feed and biofertilizers. In a later stage, it will also be possible to produce some key products for alcohol chemistry, carbon chemistry and oil chemistry, with a view to replacing energy products derived from petroleum. This possibility gives the undertaking greater flexibility and is an encouragement to the energy and food sectors, without implying priority for either one of them.

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CSO: 3001

## BRIEFS

**ELECTRICAL CONSUMPTION FIGURES**--Electrical energy in the country increased 11.1 percent between January and October as compared to the same period the preceding year, according to the monthly bulletin of the ELETROBRAS [Brazilian Electric Power Company, Inc] Department of Market Studies. This rate of growth is lower than that recorded for the period January-October 1979 in comparison to the same period in 1978, which was 12.4 percent, but it exceeded the 10.8 percent estimate established by the DNAEE [National Water and Electrical Power Department] and the ELETROBRAS. The increase in consumption was lower in all regions than that recorded between January and October 1979. The southeast region, the heaviest consumer of electricity, which showed an increase of 11.8 percent in the period last year, showed 10.1 percent this year. In the southern region, the rate of growth dropped from 15.1 percent in January-October of 1979 to 14.9 percent; the rate in the Northeast dropped from 12.4 to 12.3 percent; that in the Center-West from 16.5 to 15.8 percent; and that in the North from 14.7 percent to 13.8 percent. Even so, the increase in all regions except the Northeast exceeded the ELETROBRAS expectations. In the general calculations, there was a difference of 0.2 percent between real consumption (92,681 gigawatt hours) and planned consumption (92,546 gigawatt hours). [Text] [Rio de Janeiro JORNAL DO BRASIL in Portuguese 11 Dec 80 p 15] 5157

CSO: 3001

## COAL RESERVES AT PUNTA MILLONGUE PUT AT 10 MILLION TONS

Santiago EL MERCURIO in Spanish 25 Dec 80 p C-6

[Article by Julio Arroyo Kuhn: "Reserve of 10 Million Tons of Coal"]

[Text] Lebu--Coal reserves in the existing seams at Punta Millongue, some 5 kilometers north of this city which is the capital of Arauco Province, are estimated at more than 10 million tons. One of its seams is already being exploited although at a rudimentary level; the first 2,000 tons of coal have been extracted.

When there is an adequate infrastructure--electricity, access road and other necessary elements for coal mining--meaning when the mining development program is completed, production will be between 4,000 and 5,000 tons of clean coal per month. There will be 326 workers employed.

According to the background obtained by EL MERCURIO, seven seams of coal (7,500 calories) have been discovered in the hills of Punta Millongue. They crop out on the slopes of the mountain and penetrate it almost horizontally like the seams in Arauco Province which are worked "at will" by hundreds.

These seams are part of the Millongue estate owned by Luisa Calvo, widow of Montalba. The Millongue coal company was given the concession to work them. It started construction of its first gallery at the end of June. The entrance is on a high slope 30 meters above sea level to work a seam 65 centimeters high.

This gallery was visited by our newspaper. It is already 178 meters long, following the direction of the seam. Other adits have been opened perpendicular to it that lead to a second seam almost parallel to the first, according to Juan Valenzuela, mine foreman. He is an experienced man who came to this new mine after working 16 years for ENACAR (National Coal Enterprise).

At this time, the work is done primitively with a pick and shovel. The cars that take the coal and tufa out are manually pushed over rails; it is not pleasant work but is not too hard because the gallery is almost horizontal.

Valenzuela also said that 38 men, most of them former ENACAR miners, work there now; they have already extracted 2,000 tons of coal. The coal is shipped to the Victoria de Lebu coal washing plant. Construction of a direct access road will soon begin. In the meantime, it is transported in huge cars pulled by tractors along the beautiful curves of the beach of Millaneco.

The foreman pointed out the washing plant that is being constructed for the Millongue mine; it will soon begin to operate at the mine site, using water from a nearby stream. He also said that he knew that the enterprise had already contracted electrical lines to supply energy for mechanization. In this first part of the development program, construction of the access road for trucks to transport the coal was to begin. He even said that later two other galleries would be opened in a sector across from the first sector in order to work other seams, one 1.2 meters thick and the other 90 centimeters thick.

According to the background obtained by this newspaper, the Millongue Coal Company is working on CORFO [Production Development Corporation] endorsement to obtain credit for about \$1 million for the rational exploitation of the rich coal reserves at Punta Millongue. This will increase national production and, at the same time, create new jobs for the unemployed in Lebu. There are many miners who have retired from ENACAR and receive double compensation. They were not careful and spent their retirement money and now face a difficult economic situation.

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CSO: 3010

## NEW RATE SYSTEM RAISES COST OF ELECTRICITY TO CONSUMER

Santiago EL MERCURIO in Spanish 21 Dec 80 p B-1

[Passages enclosed in slantlines printed in boldface]

[Text] Increases in Energy Prices

Almost 2 months after the new electrical rate system went into effect--last 25 October--the consumers have begun to feel the increases.

According to the reasoning that led to the present rate system, the new prices would reflect the real supply costs. Therefore, the increases are high with respect to the previous rates, especially for residential clients whose rates were subsidized by commercial and industrial users. According to the experts, these last two probably pay the same prices as before or even lower ones.

As is known, under the new system the consumers can choose between three price alternatives: I) simple rate; II) rate for contracted demand; and III) hourly rate. According to the experts, the first option is best for most residential clients.

Considering the prices under the "simple rate," it can be verified that they increased--with respect to prices before 25 October--50 percent for use of less than 100 kwh/month. Nevertheless, the consumers will not be subject to such a large increase. In the first place, there is a table of coefficients, variables based on monthly consumption, by which the final price resulting from real costs is multiplied. For CHILECTRA [Chilean Electric Company, Ltd.], those coefficients or multiplication factors since 10 December are as follows:

From 0 to 49.9 kwh/month	0.721
From 50 to 99.9 kwh/month	0.814
From 100 to 149.9 kwh/month	0.950
From 150 to 199.9 kwh/month	1.000
From 200 to 250 kwh/month	1.000

These coefficients were approximately 7.6 to 15 percent lower up to 25 October.

The Ministry of Economy established a maximum increase per client. Since 10 December, that limit has risen to 35 percent. It was 20 percent when the change in the rate system became official.



EL MERCURIO drew up the following chart to show the results of the change in the electrical rate system.

### Change of Electrical Rates

Consumption kWh/month	30	120	240
Previous consumption prices (24 Oct)(1)(Esc)	95.1	409.5	906.3
New prices at real cost (Esc)	209.55	618.01	1,162.62
Reduced prices (10 Dec)(2)(Esc)	151.09	587.11	1,162.62
Percentage variation (2)(1)	58.87	43.37	28.28
Price collected (10 Dec)(*)(Esc)	128.39	552.83	1,162.62

\*Note: This price is calculated, limiting the increase between 10 December and 24 October to 35 percent.

December 1979 to December 1980

From 22 December 1979 to 10 December 1980, most of the electric rates for residential users increased about 48.6 percent. Since the CPI increased about 30.7 percent in the same period, the real increase for electricity is about 13.7 percent.

The attached graph on "Annual Price Variation" [graph not reproduced] shows the price change experienced by two monthly residential consumptions: 30 kWh and 90 kWh. It represents what occurs for most consumers who use less than 200 kWh/month. The chart below gives the prices for other monthly consumptions.

### Variation in Prices in a Year

Monthly Consumption kWh/month	Monthly Consumption Cost		Real Variation (%)
	22 Dec 79 (Esc)	10 Dec 80 (Esc)	
40	115.20	171.18	13.7
80	230.40	342.36	13.7
120	345.60	513.54	13.7
180	518.40	770.31	13.8
240	691.20	1,027.08	8.1

### Three Alternatives, One Choice

The theory behind the three rate alternatives is "economic efficiency." In practice, the prices for electrical energy reflect the real supply costs so that each user pays based on the costs that he generates. Since each alternative implies the greatest economic benefit for certain types of consumption, the consumer who chooses rationally will be paying a fair price. There is no discrimination between residential, commercial or industrial clients now.

In general terms, there are three cost items: cost for energy, cost for power (quantity of energy per unit of time) and cost for connecting the client to the distribution network.

## Alternatives

The /"simple rate"/ is the cheapest alternative for most clients with low and medium daily consumption during peak hours (hours of greatest consumption)--from 1800 to 2300 hours--throughout the year. More than 90 percent of the residential clients belongs to this group. This rate includes a fixed monthly charge, a charge for basic energy--applicable every month of the year--and a charge for additional energy in the winter. This last is in effect in the winter months--May to September--for clients who consume more than 250 kWh/month. It applies to each kilowatt-hour over the "winter energy limit" calculated as the arithmetic average of consumption for the immediately preceding months of October, November, December and March. Under this alternative, the cost for power is included in the energy price. On the average, 1 kilowatt of power equals 200 kilowatt-hours of consumption.

CHILECTRA prices, including VAT, are as follows:

Fixed monthly charge: 73.40 esc  
Charge for basic energy: 4.54 esc/kWh  
Charge for additional winter energy: 10.71 esc/kWh

The /rate for contracted power/ or read power is good for those who generally consume energy during peak hours and cannot deflect their consumption to other hours. It can also be attractive for large clients with a relatively steady daily consumption. The hourly and simple rates would probably be much more expensive for those users.

The rate for contracted or read power includes: a fixed monthly charge (CHILECTRA rate--73.40); a charge for contracted or read power (498.74 esc/kw/month); and a charge for energy (2.16 esc/kWh).

Finally, the /hourly rate/ includes charges for the client's use during maximum demand on the electrical system--peak hours in the winter months--and contribution to the development of the distribution networks. Consequently, consumers who concentrate their consumption outside winter peak hours will benefit with lower prices.

In general terms, it includes charges for power during winter peak hours, power during other hours and energy. Their bill will depend on the form of measurement that the electric company adopts. One is to measure the total energy and the maximum power during winter peak hours. CHILECTRA prices, including VAT, for this version of the hourly rate are as follows:

Monthly charge for maximum demand in winter peak hours: 1,331.61 esc/kw/month  
Monthly charge for contracted power: 189.18 esc/kw/month  
Charge for energy: 2.16 esc/kWh

## Making the Decision

The cost for annual consumption is the key element of decision for the consumer. Comparison for one month is not sufficient since the winter months can completely change the results of the evaluation. Under the simple rate alternative, there is a "winter rate." The same is true under the /"hourly rate"/ with an additional charge for power consumed during winter peak hours.



As was already mentioned, the economic benefit of each of the rate options is closely related to the user's pattern of consumption. Nevertheless, the final choice should be made by analyzing each case individually.

To illustrate this, the annual cost of two types of consumption under the three rate options is given. The prices mentioned above were used for the calculation.

#### Case One

- I) Monthly consumption: 90 kWh (summer-winter)  
Maximum power: 0.5 kw
- II) Annual cost, simple rate: 5,784 esc  
Annual cost, contracted demand rate: 6,206 esc  
Annual cost, hourly rate: 6,797 esc

#### Case Two

- I) Monthly consumption, summer: 200 kWh  
Monthly consumption, winter: 600 kWh  
Maximum contracted power: 4 kw  
Maximum power, winter peak hours: 2 kw
- II) Annual cost, simple rate: 33,197 esc  
Annual cost, contracted demand rate: 34,325 esc  
Annual cost, hourly rate: 31,901 esc

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CSO: 3010

## BRIEFS

OIL PLATFORM IN MAGELLAN STRAIT--Punta Arenas--ENAP [National Petroleum Enterprise] Magallanes successfully completed installation of a new production platform, the ninth one in the Strait of Magellan. This is part of the continuing exploitation program for hydrocarbons located in the sea bed. This new production platform constructed in Bahia Laredo by the contracting firm ASMAR [Naval Docks and Yards] Ovalle y Moore, under the supervision of specialized technical personnel from ENAP, is another demonstration of the ability of our professionals and technicians and of the advanced level of national technology. This gigantic metallic structure, the largest built in Magallanes, was taken from Laredo to the eastern mouth of the Strait of Magellan by the Simpaio barge and tugs. It is 42 meters high and weighs 550 tons. There were serious technical problems in launching this platform. Nevertheless, the teamwork, ability and experience of ENAP personnel were a guarantee for a flawless operation. The platform had to be installed in a sector called Spiteful; the most interesting reserves detected in the sea bed until now are located there. The weather conditions in the area were good. This led those in charge of this operation to quickly prepare the launching of the gigantic heavy metallic structure into the water. Three tugs and three barges participated in the operation. The launching was done 2-1/2 kilometers from the final installation point of the platform. The maneuver, one of the riskiest in the development of the offshore project, was done in the middle of the day to exploit optimum tidal conditions. [Text] [Santiago LA TERCERA DE LA HORA in Spanish 27 Dec 80 p 5] 7717

COAL WORKERS TO LOSE JOBS--In January, February and March, 700 coal workers in Lota will be dismissed, according to Julio Salazar, president of the Industrial Union, and Jaime Ayala, director. The workers' representatives revealed that the manager of ENACAR [National Coal Enterprise] had confirmed the reduction of personnel, citing the need to lower production costs as the reason. Salazar said that this measure violated Decree 2469 which permits voluntary resignation with benefits like double compensation. [Text] [Santiago EL MERCURIO in Spanish 13 Dec 80 p C-7] 7717

CSO: 3010

## ANDEAN PACT SEEN REQUIRING ECONOMIC READJUSTMENTS

Lima EL COMERCIO in Spanish 23 Dec 80 p 9

[Text] "Cartagena Accord officials will make a thorough study to see how the Andean integration process will proceed in 1981," Ambassador Jose de la Puente Radbill said yesterday, in speaking about future activities of the system.

De la Puente, acting coordinator of the Pact board, made the statement in reporting to observers from third countries and international organizations accredited to the community organization on progress of the integration process in 1980.

"The Andean Pact moves slowly but surely," he maintained in his report, pointing out that "the economic aspect of the process requires readjustments in order to give consideration to the problems of development typical of each country and, within the framework of these national priorities, try to make them compatible with the objectives, mechanisms and time periods of the process."

De la Puente then announced that on 31 March, the board will make a thorough analysis covering two major issues: the common tariff and the automotive program.

With respect to tariffs, he said that a common denominator would have to be found in order to try to reconcile the interests of every country and see how the levels of tariffs affect commercial trade and industrial planning in the Andean area.

De la Puente also emphasized his optimism concerning the iron and steel industry, which he said has a promising future for the development of the subregion, "although for several years, our countries will continue to import steel products."

On the other hand, he said that it is important for Andean integration to come about, despite the fact that in countries such as ours, which have substantial variations in planning, there are great difficulties.

De la Puente pointed out that in the case of Bolivia, the interests of the Bolivian people are unchanged and that that country's industrial planning is a need at the present time.

Finally, he stated that there will be a continuation of the Andean Pact's dialog with the European Economic Community.

COUNTRY SECTION

CLAT SUPPORTS DEMOCRATIZATION, CONDEMNS EXTREMISM

San Salvador EL MUNDO in Spanish 16 Dec 80 p 3

[Text] The CTS [Salvadoran Workers Federation] has sent us a press release reporting the outcome of the 18th CLAT [Latin American Workers Federation] meeting which was held recently in Lima, Peru, and was attended by 36 national organizations and 16 Latin American workers federations representing 9 million organized workers in Latin America.

The outstanding point of the conclusions was the decision to support democratization in all these countries, "agreeing that the CLAT should develop some special actions before 17 December, the date of the meeting of the democratic leaders in Santa Marta, Colombia, in order to strengthen democratic political action in those countries and governments against totalitarian dictatorships.

Sections of the communique signed by Julio Celso de Leon, representing the CLAT and by Jose Luis Grande Preza, secretary general of the CTS, said the following:

The 18th Council of the CLAT repeated forcefully its criticism and condemnation of the dictatorships based on the doctrine of national security, just as it condemns those dictatorships based on marxism-leninism. The CLAT finds that these dictatorships all lead to the same negative results which are unacceptable to the workers and their organizations. They are against democratic rights and freedoms, against living and working conditions, and above all, they reduce the organized workers movement to the role of total outcasts. The 19 July military coup in Bolivia was again denounced and the CLAT's total solidarity with the workers and people who have joined forces in the COB [Bolivian Labor Federation] was again announced. At the same time the CLAT denounced the escalation of international communism in the Caribbean and in Central America, referring particularly to the situations in Nicaragua and in Grenada. The CLAT

representatives then voted in support of the consolidation and advancement of the democratic process which was recently begun in Peru, since democracy in one country can not be defended if it is not established and consolidated in other countries.

Other expressions of solidarity were passed in favor of the workers of Guatemala, El Salvador, Nicaragua, Grenada, Haiti, Cuba, Chile, Argentina, Uruguay, Paraguay, and other countries where there are totalitarian systems which harm the dignity, freedom, and social justice in those countries, affecting above all the workers and their organizations.

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CSO: 3010

## BRIEFS

**SALVADORANS DEPORTED TO NICARAGUA—Choluteca—**Military authorities yesterday deported 11 Salvadoran citizens to Nicaragua who had illegally entered the country and were captured in the cathedral of this city last Friday. The Salvadorans, who presumably belong to leftist factions seeking to overthrow the civilian-military government of El Salvador, entered Honduras via Nicaragua, using several unguarded border points. Their objective was to use Honduran territory to gain access to El Salvador, one which they did not succeed in carrying out due to the fact that they were apprehended by immigration authorities in the cathedral of Choluteca. The Salvadorans denied that they were guerrillas despite the fact that several of them were found in possession of M-1 rifles and knapsacks filled with clothes and other implements typical of rebel groups. The 11 members of the group were afraid that Honduran authorities would turn them over to the Salvadoran National Guard, but their fears disappeared when they were taken to the Nicaraguan border at the border point of Guasacule. The group was composed of: Juan Ramon Recinos Zamora, David Edgardo Hernandez Diaz, Roberto Sanchez Rivas, David Recinos y Recinos, Rafael Recinos y Recinos, Mardoqueo Eraso, Guillermo Antonio Rivera Eraso, Jose Abel Sanchez Ortiz, Bartolo Martinez, Maria Dolores Milla Coto and Berta Alicia Landaverde. [Text] [San Pedro Sula LA PRENSA in Spanish 31 Dec 80 p 2] 11466

**PUNISHMENT OF TERRORISTS FAVORED--Tumbes, 22 Dec--**A poll made of housewives, merchants and workers has revealed that the people condemn the acts of terrorism now occurring throughout the country and feel that the negative acts are the work of unthinking persons deserving of punishment. Not only does terrorism cost lives, damage public and private property and hinder the development which Peru needs, but it also infringes upon individual freedom, using coercion and sowing uncertainty and fear among the population, which is defenseless in the face of such irresponsibility. The poll was made because through its police institutions, the government must establish who the responsible parties are, without merely speaking about leftist extremism. Responsibilities must be defined and exemplary punishment handed down to the parties involved because it may be a question of a "vendetta" resulting from the police campaign against drugs. Paradoxically enough, most of these antisocial acts are concentrated in departments where coca crops were burned. The country needs peace to recover and this will only be possible if both political leaders and the people understand the need to work and if authorities and civil servants exhibit their ability to resolve the problems existing in different areas of the country. [Text] [Lima EL COMERCIO in Spanish 23 Dec 80 p 20] 11,464



ATTACK ON SOMOZA FILMED--Santiago, Chile, 16 Jan (AFP)--It was disclosed here today that a Chilean cameraman has been arrested in Paraguay on charges of allegedly being involved in the assassination of former Nicaraguan President Anastasio Somoza. The alleged criminal was arrested several days after the 7 September attack on the ousted Central American government leader. According to reports issued by Chilean police sources, the cameraman filmed the entire attack during which Somoza's assassins fired anti-tank weapons at the car he was riding in on an Asuncion street. The film has reportedly been taken out of Paraguay and reportedly is being distributed in the United States and Europe. Reports published by the Santiago press today state that Paraguayan officials have requested information on the arrested Chilean citizen, whose name has not been disclosed, to find out about his political militancy. The cameraman reportedly had been living in Nicaragua during the months prior to the attack on General Somoza and after the Sandinist junta that ousted General Somoza had assumed power. [Text] [PY191619 Paris AFP in Spanish 1246 GMT 16 Jan 81]

CSO: 3010

## BANK OFFICIAL EXPLAINS INDUSTRIAL, BANKING SITUATION

Buenos Aires LA PRENSA in Spanish 21 Nov 80 pp 1, 7

[Text] The situation of Argentina's financial market was explained at length yesterday by the vice president of the Central Bank, Mr Alejandro Reynal, at the first conference on industrial modernization, sponsored by the department of industrial development, the Bank of Boston Foundation, the Center for Comparative Studies, and the Argentine Catholic University.

Mr Reynal's topic was: "Interest rates and credit risk." The main parts of his talk are given in this article, though the statements made at the end of the conference by the vice president of the Central Bank are given separately. These statements were made in response to questions asked by businessmen taking part in the meeting. Mr Reynal did comment on the "SASETRU case."

## Interest Rates

Hyperinflation, said Mr Reynal, has awakened Argentina to many facts, including the fact that the nominal interest rate is a thing written in a promissory note or in a loan agreement, or in a certificate of deposit, and the earnings a saver can expect on his savings at the end of the term or the money that the user of credit has to pay at the end of the loan period are something quite different. From this we get the concept of a real interest rate, which I believe is now an everyday word in Argentina, but one which is particularly important in each instance in which we are analyzing and trying to make even a superficial analysis of these fairly complex issues.

## Adjustment Indices

When we speak of real interest rates in the economy, we are normally saying that we are adjusting this nominal interest rate to a given price index; if we had to do this in the case of the active interest rate, or an interest rate paid by industrial borrowers, we would

normally use the wholesale price index at a general level, as representative of price trends in that sector; but if on the contrary we want to consider the amount of damage to his purchasing power that a saver suffers by deciding to delay his consumption, depositing his money in a financial institution before using his resources for consumption, then we would have to use the passive interest rate, the average of the interest rates paid to investors, in relation to the consumer price index.

### Profits and Allocation of Resources

For many years interest rates in Argentina were controlled; they were set in advance by monetary authorities without having any direct relation, or at least without having any necessary or automatic relation, with the inflation indices which the economy had at that time. The interest rate was obviously not acting as an instrument to allocate resources appropriately in the economy. Because far from being a raw material whose cost was reflected in its price, as it had an artificial price it was in many instances producing income or making activities profitable which would not have been so if it were not that credit was available. Money is one more raw material, and not necessarily the most important, such as labor, machinery, or fuel. Depending on the price, the use that is made of this raw material, it should be in a direct relation with a relative cost, so that by decreasing the cost of credit it is reasonable that the financing structure of a business would tend to use more credit and less capital. Of course, with controlled interest rates, the formation of a black market was inevitable; we have experienced this, and our experience leads me to say that until 1976, a good part of the monetary economy was circulating by means of a clandestine circuit. Things being as they were, not only was the Central Bank tactically unable to handle the monetary supply, but it was also impossible for the Bank to control its intermediaries.

### Nooks and Crannies

The nooks and crannies of the port microcenter were the natural setting for financial operations during periods of hyperinflation. Supply and demand of money was handled by notaries, brokerage firms, unauthorized financial middlemen, and by underground banks. They handled the main volume of financial operations. The regulated system, the institutionalized system that the Central Bank controlled, was handled with great precision and meticulous care: interest rates, exchange rates, credit controls; but in practice, the official system handled only a very small portion.

## Clandestine Circuits

As this price--interest rates--was officially controlled, all these clandestine circuits were created, where the price was free and where there were some risks, risks that were not always perceived by the depositors and much less by the officials, and I would even say, still less by public opinion. Because when some of these non-institutional middlemen went bankrupt--and attention here--financial bankruptcy is not a privilege of the process of recent years, there were many instances of financial middlemen who collapsed or left the market. Nonetheless, there were no claims filed, both because the funds and the middlemen were operating illegally. That was an incontrovertible fact, part of the sad story of controlled interest rates and their results.

## Demonetization

The other sad part of the story is remembering that the lack of realism in setting interest rates on the part of monetary authorities led to an outflow toward any instrument that might defend the saver's interest. This happened to such an extent that demonetization, a concept that is still very widespread today, was very prevalent then; people fled from the peso to foreign currencies, to land, to household goods, to any anticipated purchase of goods, that might enable them to maintain the purchasing power of their savings. With circumstances as they were, the capital base on which the economy was founded kept on diminishing rapidly, because using one's own capital to work with was not very profitable. Then, if we might simplify, we would say that while in times of stability the relation was 50 percent capital and 50 percent credit, the process of hyperinflation changed these figures to 20 and 80 percent, respectively. But who had access to credit? I would say that the friends of bank managers accounted for 80 percent of the borrowers.

## Very Dramatic Changes

The financial reform whose merits I am not going to attempt to extol here, caused some highly dramatic changes.

Then in 1977 the situation changed and it was decided, let's see how many financial organizations there are. The ones that are located on the 5th floor of Reconquista and Cangallo should set up shop windows on the street. They will henceforth have an obligation to show who they are, what capital they have, and how they operate; there was no other alternative. This clarification and bringing up to date of the real financial system, of those who were the operators and financial middlemen of the Argentine economy led to a census taken in 1977 and it was found that there were 750

financial organizations in the nation. Then an intense period of concentration and elimination began, and these 750 organizations became fewer than 500 only 3 years later; nearly 30 percent of the organizations merged, were acquired by others, or were liquidated. The number of liquidated agencies is almost 40, so the vast majority, I believe 220, merged with others.

#### Process Barely Beginning

The process is just beginning now, but it is certainly going through an intense phase, one which has not ended and which must continue. We have said on a number of occasions that it is the intention of the monetary authorities to facilitate and promote the process of concentration.

#### Business Debts

It was quite surprising to find that, starting in 1977, when interest rates were unfrozen, even though there was a very large increase in the cost of money, there has still been a strong growth in the use of credit. While demonetization did cause the base of business capital to be reduced from 50 to 20 percent, I would say that during the past 4 years it has remained the same or less, because if earnings and income were not added in relative proportions, this capital would also have declined. To this same capital base has been added a volume of credit which is today, for the private sector, more than 4 times above what it was in 1976 in real terms. The entire monetization process, which from the macroeconomic point of view is very important for people, has still, as far as channeling these savings toward economic units is concerned, not strengthened its capital base; consequently, today businesses have a debt ratio that is much higher than what they had 4 years ago. It is a fact, generally speaking, that the total credit in the private sector has increased in real terms more than 5 times.

#### What Is Happening?

Then someone asks: how is it possible that this could have happened without an equivalent growth in productive activity? Does it mean that today people are in general 5 times more in debt than before? That isn't necessarily so. What is happening is that today credit is no longer a scarce commodity. It is no longer rationed. Today credit goes to individuals in a volume that was never before possible because it was not profitable with a controlled interest rate. Today credit goes to a number of activities where it didn't go in the past because then it was lent only to top credit risks. If everyone had to be charged the same rate, why lend to a poor credit risk?



## Frustration

Nonetheless there is this profound feeling of frustration in many people. There may be very good macroeconomic explanations, but it is still true that people are saying: "I can't escape from the use of credit. I am constantly falling more in debt and my firm's profits aren't high enough to pay the interest rates that the market demands." Let me try to analyze what has happened by making the following comment.

### Firms That Should Have Closed

First of all, there are many businesses involved in this adjustment process which should have shut down a long time ago, businesses which have been faced with this process of expansion of the economy, tariff reform, and financial and tax reform, whose accounts were in bad shape and which therefore decided to keep on gambling on a change, not on the change that was actually taking place, but rather on the fact that institutional change would not continue. And the interpretation of this phenomenon is that despite the fact that credit was an expensive resource whose use should have been restricted for companies without large profits, credit was used to cover losses, credit was used to survive, credit was used to stretch things out while hoping for new times and better circumstances. That is what happened to many businesses which in the beginning didn't believe that the economic system was really going to change.

### Others Could Not Change

In the second case, were others who believed in the change but could not adapt.

Third is the category of those who believed in this change but were unwilling to adapt.

Fourth: Those who came to believe later, who were lagging 2 or 3 years behind and who couldn't get started.

### Those Who Believed

This is the category of those who initially believed in the change and adapted despite all the changes and difficulties. Companies which perceived the depth of the change and adapted in the beginning today have no problems.

Of course, among those who believed in the change but were unable to adapt I would include all those who have done what is necessary but were faced with the situation that the state did not do what it should have in some areas, or that their irregular competition did not enable them to move fast enough to change.



## A Difficult Situation

But it is true that this did happen and today we are confronted with a difficult situation in which people are saying: "Yes, it is very easy to talk about reducing the use of this resource (credit), but how? To do so we have to have capital, and I have to incorporate a resource that will let me cut down on the use of credit." Here we find the negotiation of assets, the incorporation of new partners: all the mechanisms that from the fiscal point of view could and should be introduced so that the fiscal system will not discriminate so much in favor of debt and so much against capital formation. It might be said that our system requires that the fiscal and financial instruments be adapted in some way so that the saver will have a clear incentive for capital investment, and I might even say, a disincentive for savings; but in all events, I would at least suggest a more equal equation, because the entire process of monetization, the entire process of the return of the saver to the peso has been brought about through savings and investment in banks that channel these funds as debt, with highly unequal attractions. They are guaranteed by the state, have interest rates that I couldn't say have always been positive, but which have been much less negative than in the past; this aspect will generally not be found in the capital market or in other investment alternatives. Now we are finding people going to the bank to invest who would normally have gone to the bank to borrow. Now sectors of the population which were never able to invest in pesos are saving; in the past their small volume of savings was channeled in other directions. These are new savers who have been stimulated by the system, and the fact that they exist is a highly positive factor, but they still don't have the confidence necessary to enable them to go to the market and invest for terms that would channel their funds more toward investment and less toward savings, and less toward the use of short-term credit.

## Explanation of 'Short-Termism'

For many years some people were cheated by very negative interest rates. As an example we can cite a single figure: in 1976, in comparison with the retail price index, the average passive rate was 64 percent negative. In 1975 it was 72 percent negative, and in 1970, 10 percent negative. And consider what happened in 1975 and 1976: 70 percent negative. Here we are speaking of people who in real terms lost 70 percent of their savings by depositing their money in the institutionalized system. It isn't easy to convince them that this process is a thing of the past, that the collapse of their savings will not happen again. They want to be certain, and to be persuaded almost every day, and as that is not possible, they want to keep their money in 30-day accounts, so that they

can go to the bank, take out their deposit, look at it, find out what it means to get 4, 5, or 6 percent a month, and then deposit it again, thus making another act of confidence in the system. It is natural for them to act this way because for 30 years the opposite process has happened.

#### Current Interest Rates

In 1977 the rate continued to be negative with respect to the consumer price index. The figures are as follows: 1978, 15 percent negative; 1979, 16 percent; 1980, 11 percent, with some quarters in which the rate was positive. In general, it has remained slightly negative. When we compare the average active rates with the wholesale price index, we find that the real interest rates were: 17 percent negative in 1959; 6 percent in 1955; 9 percent in 1965; 8 percent in 1970, and then in 1975, 70 percent negative and 69 percent negative in 1976.

Could we expect that a reform that would change this 70 percent negative interest rate would be peaceful and silent? Rather we should expect it to generate at least a tremendous amount of unrest in those who made the use of credit a privilege. In 1977, 1 percent negative; 1978, 12 percent positive; 1979, 3 percent positive; and in 1980, during the first 6 months, 12.8 percent positive. We get these figures from comparing the average active rate of the financial system, using the daily surveys of the Central Bank, with the wholesale price index at a general level.

#### Erratic Rates

Interest rates have been highly erratic, following the trend of inflation, which has also been quite erratic. The trend has been on the decline for only 15 months. For that reason, this process is not going to be easy or rapid, concerning the adjustment of the relation between interest rates and the rate of inflation within the economy. But that explains only part of this "short-termism," in which the financial system is now immersed, because while it is true that the banks receive most of their resources in 30 days, that is not the only explanation why the banks are not inclined to channel their resources toward longer term investments.

#### Attitude of the Banks

The banker also shares a good dose of lack of confidence in the stability of his resources and he uses this argument as his only argument: "I can't lend for more than 30 days," he claims, "if I don't receive resources for a longer term." This is a great fallacy.

What is happening is that the financial organizations are being confronted with the terrible dilemma of how to value the creditworthiness of their customers, which is a problem that they did not have in 1977. And the problem is even worse because they are lending resources whose recovery they must ensure in real terms. If, added to this, they have a panorama of businesses which are being subjected to extremely violent changes in all areas, we can understand what is happening. The banker, facing this risk, which is both clear and hard to measure, also wants to maintain his own flexibility. So we are caught in what seems to be a vicious circle, in which businesses are not totally innocent. Every businessman wants to be more intelligent than the market, and while this is easy to understand on an individual basis, it is impossible in terms of the whole.

### Nonsense

In September 1979 there was a clear and definite break in the inflationary trend; I think we, both banks and business, neglected a great opportunity at that time: the phenomenon of credit availability as a value of which there had been little awareness until that moment. And then we came to 28 March. And on 28 March took place the bankruptcy of a major bank and its resulting liquidation. This caused such serious misgivings in the relations between banks and businesses that even the most solvent banks announced that while their credits as a whole had not been damaged, still availability could not be guaranteed from one day to the next. This means that having 7-day maturity dates had become much more dangerous than had ever been thought before. After being burned, many people perceived the danger of having an exaggerated concentration of their resources in 30-day accounts. Then began the process of stretching out terms. But not the process; I would say rather the desire, the intention, of stretching out terms on the part of the borrower. And right away the banks found that all their customers wanted to switch to 1-year terms. And they couldn't do so, because they were entangled in all the uncertainties I mentioned earlier. Then a new bank failure might occur. Let's say that I give credit for 30 days and claim that it can be covered; the banks must know that most of the cases in which they are giving 30-day credit terms are not done with the thought of actually collecting on day 30. What they want is to have the possibility of being once again more intelligent or more astute or more foresighted than their competition. That is nonsense.

## One Side Has To Yield

When the system begins to operate on a 30-day basis, and the entire economy moves to a 30-day system, then one side or the other will have to yield. I would say that we in the Central Bank can try to provide incentives for mechanisms so that loan terms will be stretched out, so that the banks will feel a little more secure, so that if they have an unexpected drop in deposits they will have sufficient resources to finance the loans they are giving for the mid-term.

But we want the financial organizations not to confuse these terms, because when they lend for 30 days, knowing they could not collect until 180 days or even 1 year, and they have no intention of collecting in 30 days, all they are doing is revealing that they have made a poor credit decision. This is very painful for an institution to admit, but in practice no business can, by definition, settle all its credit lines within a term of 30 days.

## The Central Bank

He completed his speech by explaining the mechanism of circular 1050 and the new rediscounting system for banks, "which has the clear objective," he said, "of extending the planning horizon of the banks, and lets them transfer this horizon to businesses." This is true, he said, because the Central Bank can do this, and this is in fact its principal obligation, to operate through the financial system so that it will become a suitable intermediary between savings and investment. It is not because the banks have some special privilege. I would say that the contrary is true. What is happening is that the financial system for its operation demands direct control by the Central Bank, but at the same time, it has to be a transmitter of resources to the system.

7679

CSO: 3010

## REVISION OF ECONOMIC SYSTEM URGED AT CONAE MEETING

Buenos Aires LA NACION in Spanish 6 Dec 80 p 14

[Text] Santa Fe -- An urgent revision of the present instruments and philosophy of the economic and business system, to defend its interests, has been called for by the cooperative leader, Humberto Volando, in closing the informational meeting that was held by the CONAE [National Business Council] in this capital city.

The meeting was held in the Mariano Moreno Library and was attended by political leaders, businessmen, and merchants of the area, but not by representatives of the CARCLO [Confederation of Central and Western Littoral Rural Associations], who did not attend the formative meeting of the CONAE held some time ago in Rosario.

Speaking at the meeting were: the engineer Juan Carlos Bernassano, a local businessman; Armando Manzur, president of the Reconquista Shopping Center; Nestor Garcia from the Central Federation of Warehouse Owners of Argentina; Argentino Cipollatti from the Western Santa Fe Industrialists Association; Enrique Tanzi, president of the Association of Metallurgic Industries of Rosario, and Humberto Volando, president of the Argentine Agrarian Federation.

## Unreal Indices

Mr Bernassano said that "if order and security are synonymous with poverty, we are on the verge of an outbreak of guerrilla action." He also anticipated a worsening of the banking crisis and criticized the lack of an official policy of agrarian development.

Armando Manzur said that "we are not asking for roads, public works, or education, but a complete revision of the economic policy."

The final speaker, Humberto Volando, called for the businessmen to mobilize, after saying that "in the economic area, we are worse off than in 1976." Volando also analyzed the official economic system,



pointing out that the present inflation indices supplied by the government are unreal, and that the terms for paying off Argentina's foreign debt "compromise the nation's security."

Later the rural leader commented on the regional economies, saying that the lack of official support will cause the destruction of the business sector in the interior, and he called for unity in order to demand substantial changes.

7679

CSO: 3010



## MARTINEZ DE HOZ SAYS ECONOMIC CRISIS RUMORS POLITICALLY MOTIVATED

Buenos Aires LA NACION in Spanish 24 Dec 80 pp 11-12

[Text] Today, the minister of economy, Dr Jose Alfredo Martinez de Hoz, denied that the recent events that have occurred in the financial sector, such as the liquidation of Credibono and the Cayasta Bank, have caused "panic" in the market, and charged that the rumor "is being circulated for political purposes."

He claimed that these measures are the actual results of the "great transformation in the Argentine economy," adding that it is logical that this take place "with some effort and even some pain."

He explained: "It must be realized that these conditions are leading to a subsequent phase wherein all the benefits that can now materialize and be observed will be confirmed and, at the same time, it will be possible to note the effects of other measures that we have continued to adopt, the effects of which will be shown a little later on."

In statements made during the New Day program directed by Bernardo Neustadt and aired by Radio Mitre, Dr Martinez de Hoz discussed current national economic issues.

## Change of Mentality

He maintained that one of the main principles of the economic program announced on 2 April 1976 was to achieve a change of mentality, and he added that this had been accomplished to a large extent.

In this connection, he remarked: "Today, most Argentines are not discussing the basic objectives, but rather the methodology, which is very important."

Regarding that topic, he cited the modernization of the thinking of certain political parties which (he claimed) are accepting the opening of the economy.

He commented in this respect that we must know how to make use of the experience from the past, "without blaming ourselves, because we might all be to blame to some extent, but without forgetfulness, so as to learn the lessons for the Argentina of the future."

When asked about the latest document from Justicialist economists in which they cite changes in views, Martinez de Hoz said: "What is important is that no one have any

inhibition about the change; because the latter does not mean a possible admission of guilt, but rather gearing to the conditions of modern life, in other words, the conditions of present-day Argentina, which are not those of 30 years ago."

He went on to say: "We must find a way of facing the future under the conditions required by Argentina from now until the year 2000. If we can all cope with it under certain basic conditions which entail a change of mentality, of action and of principles regarding some areas wherein we have been mistaken in the past, then it is time that we all aimed together toward this goal, which is what modern Argentina is demanding."

#### Sasetru

With regard to the "Sasetru case," he noted that the solution to the problem does not require a policy decision from the Ministry of Economy nor the national executive branch. Concerning the possibility that no agreement will be reached for a bank club to grant the company a period enabling it to get back on its feet, he said that, if not, there is no chance of success; because these entities "would have a responsibility toward their stockholders for not having acted in accordance with the rules that are in force."

He added that this is a decision which the bank creditors must uphold, observing: "I think that they have acted with very good will up until now, but to go further than this would mean making exceptions which, if they have not been made in other instances, should not be made in this one either."

He stressed: "When we made our first decision, that of liquidating the BIR [Regional Exchange Bank], we established our rule of conduct. It would have been very easy to conceal the entire situation at that time, at the risk of possibly causing financial instability, as has occurred to some extent this year. But we decided that we must proceed with clearcut, sincere rules, complying with the law, whatever their effect might be. And this is very important, because when people talk about scandals, the latter are only the exposure to the public of irregular conduct which would have remained concealed at other times."

#### Viola and Massera

In response to a question, Martinez de Hoz said that Lt General Viola is acting with great discretion, noting that he is receiving through the secretary of planning all the information that he needs to plan his future government administration. In this regard, he mentioned the preparation of the budget for next year.

When asked about the recent statements by Admiral Massera to the effect that requirements were being made of General Viola, Martinez de Hoz replied: "I think that at this stage of the game, such remarks are not worthwhile discussing."

Finally, he was asked about his future, and replied: "It is the duty of every Argentine to concern himself with government; that is, some of our ills in the past were due to the fact that a large proportion of Argentines were uninterested in politics, and in the progress of government. Then, we had negative results."

2909

CSO: 3010

## DECEMBER MONETARY EXPANSION REACHED 16.8 BILLION PESOS

Buenos Aires LA NACION in Spanish 14 Dec 80 Sec 3 p 6

[Text] During the first week of December, monetary circulation increased 2.7 percent in other words, by 450,575 million pesos. The increment that occurred was due to the following net activity, according to sector, in millions of pesos:

Sectors	Absorption	Expansion
External	367,517	-
Government	-	1,055,383
Bank	145,162	-
Miscellaneous	92,130	-

With this change, the balance in that weekly account of the Central Bank as of 7 December totaled 16.849 billion pesos, as compared with 16.398 billion pesos registered a week earlier.

The government sector alone accounted for the increase in the money in circulation with a net expansion of 1,055,383 million pesos. This operation was partially reduced by the net absorption in the external, banking and miscellaneous sectors which, when combined, totaled 604,809 million pesos.

## Government Sector

The net expansion in this sector amounting to 1,055,383 million pesos is the result of a gross expansion of 1,056,141 million pesos, reduced slightly by an absorption of 758 million pesos. The expansion was comprised almost entirely by the 999,697 million peso increase in the "debentures" account. Added to this was the 39,717 million peso increase in "temporary advances" granted by the Central Bank to the General Treasury, and the 16,727 million peso reduction in the sector's "deposits." The contraction, in turn, was caused by the 758 million peso reduction in "National Treasury consolidated bonds."

## External Sector

The external sector contributed 60.8 percent of the combined absorption, having supplied 367,517 million pesos as a result of a gross absorption of 378,316 million pesos, minus a gross expansion of 10,799 million pesos.

The 370,397 million peso reduction in the "gold and foreign exchange" account contributed to the sector's gross absorption. To complete the operation, there must be added the 7,919 million peso increase in the foreign debt, under the item "payment contracts." The gross expansion that partially checked the aforementioned absorption was due to the 10,799 million peso increase in "other assets in foreign currency."

#### Banking Sector

This sector achieved a gross contraction of 298,142 million pesos, which was reduced by a gross expansion of 152,980 million pesos. The absorption originated in the 158,848 million peso increment in the "deposits" that the financial entities have in the Central Bank, to which was added the 139,105 million peso reduction in the "rediscounts and advances" granted to those institutions by the monetary authorities. The remaining 189 million pesos is related to lesser variations.

The expansion in the banking sector took place with a 109,351 million peso increase in "other loans to the country's financial entities," and a 43,629 million peso increase in the "monetary regulation account."

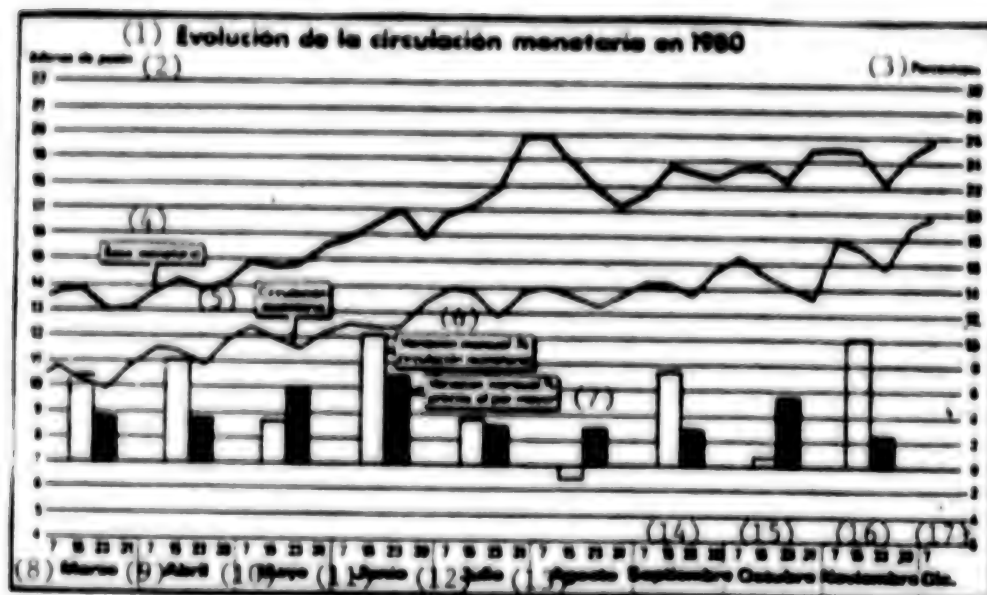
#### Monetary Base

The monetary base increased 5 percent during the first week of December. As of 7 December, it showed a balance of 19.842 billion pesos; whereas, a week earlier, it amounted to 19.249 billion pesos.

#### Monetary Base (in millions of pesos)

Categories	30-11-80	7-12-80	Variations	
			Absolute	Relative (%)
Deposits	2,849,730	2,992,107	142,377	5.0
Monetary circulation	16,398,779	16,849,354	450,575	2.7
Monetary base	19,248,509	19,841,461	592,952	3.1

Source: Weekly balance of the Central Bank



Key:

1. Performance of Monetary Circulation in 1980
2. Billions of pesos
3. Percentages
4. Monetary base
5. Monetary circulation
6. % of monthly variation in monetary circulation
7. % of monthly variation in wholesale prices
8. March
9. April
10. May
11. June
12. July
13. August
14. September
15. October
16. November
17. December

2909

CSO: 3010

## DOMESTIC AUTO INDUSTRY UNDERMINED BY HIGH VOLUME OF IMPORTS

Buenos Aires LA NACION in Spanish 20 Dec 80 p 6

[Text] During the introduction of a new model of the Taunus line, the president of Ford Motor Argentina, Juan M. Courard, commented on "the impact being caused on the economy of the automotive industry by the proliferation of imported automobiles on this market."

He stressed that, "The great increase in imported vehicles in the country could go so far as to cause a loss of stability in job sources for individuals who are usually employed by automobile firms." He then emphasized that, during 1980, the supply of cars, including those of native production and the imported ones, will total 322,500 units, of which number 85.3 percent pertains to the local industry, and the remaining 14.7 percent to imported models.

## Source of Jobs

He noted: "If this trend continues, next year we shall find ourselves with imported automobiles numbering from 70,000 to 80,000 units." He continued: "In other words, the automobile companies established in the country, their supplies and concession-holders, who have made large investments and who employ about half a million persons, will have to cut their manufactures and sales by at least from 50,000 to 60,000 units, with the resultant loss of stability in the source of jobs for such individuals."

He emphasized: "This cut in native production on behalf of the consumption of imported vehicles would make the already weak economy of scale that Argentina has even more difficult. The Argentine automotive industry can hardly produce cheaper and more efficient vehicles if its costs are increased by a lack of volume."

## Right To Choose .

After remarking that the imported cars are of 27 different makes, and warning that this leads the user to be confused, and could cause problems in the supply of spare parts for 392 different models, Courard said: "We are by no means opposed to importing, and we believe that the public has a right to choose. What we want to avoid is the indiscriminate importing attested to by the aforementioned figures. In other countries which have undergone this process, measures have been taken to correct such a situation; not for the benefit of the terminal companies, which could readily become importers, but because of the detriment to the population which makes its living on native production, either directly or indirectly."



#### Break-Even Point

He declared: "Some of the goals of the reconversion law have already been attained, because both the technological change and the industrial concentration sought through the merger of some business firms and the elimination of others which were in a marginal situation have been fostered." He stated in conclusion: "So we think that measures should be decided upon and there should be a consolidation of the current presence of imports as a break-even point beyond which we should not go."

2909

CSO: 3010

## DEMAND DROPS FOR DURABLE CONSUMER GOODS, FARM PRODUCTS

Buenos Aires LA NACION in Spanish 16 Dec 80 p 10

[Text] The Association of Metal Manufacturers (ADIM) released its current report with information updated to October 1980 provided by 314 business firms, and confirmed by statistical studies made by entities representing the various sectors.

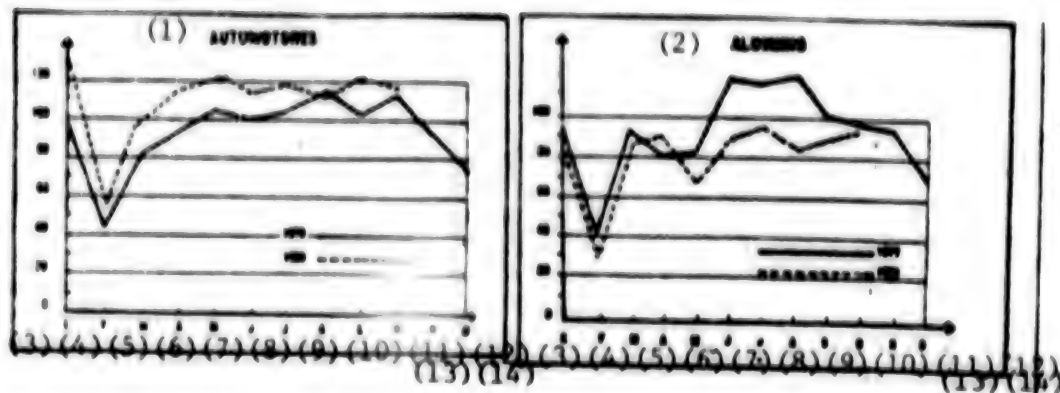
In the area of durable consumer goods, the level of production and sales of native products is similar to that of a year ago; in the area of basic and intermediate products, it is between 20 and 30 percent lower; and, in the area of capital goods, there is a continuation of "the same critical situation that has been noted for some time" (50 percent of the installed capacity was used in October and, during the final quarter, according to the jobs in the works, it could stand between 40 and 45 percent).

Between 70 and 80 percent of the capacity was used in the area of durable consumer goods (automobiles, freezers and heating tanks). A decline in demand is anticipated during the final 2 months, owing to the channeling of funds for the purchase of foreign currency and expenditures abroad, the high cost of financing for the user and the "change in model" at the year's end. It is estimated that in October imported products met 20 percent of the domestic demand.

In the area of capital goods (agricultural machinery, machine tools, internal combustion engines, etc.) there is a continued gradual decline in domestic demand, a high cost of factors of production (a problem that is posed for both native and imported categories), and greater financial facilities offered by the foreign competition. The report considers the prospects "not at all encouraging."

The activity and sales in the area of basic and intermediate products declined in October, particularly in the categories most closely associated with the manufacture of capital goods and in those faced with greater foreign competition. The use of the production capacity ranged between 65 and 70 percent in the production of aluminum, lead, galvanized plate, etc.

For the last 2 months a downward trend in demand is anticipated, owing to the aforementioned reduction in final goods and "a marked summer recession which may possibly last beyond February," as well as the rising financial cost of stocks and the pressure from the foreign competition.



Key:

1. Automobiles
2. Aluminum
3. January
4. February
5. March
6. April
7. May
8. June
9. July
10. August
11. September
12. October
13. November
14. December

2909

CSO: 3010

## SCOPE OF NATION'S PARTICIPATION IN MULTINATIONAL AGREEMENTS SURVEYED

La Paz EL DIARIO in Spanish 13, 16 Dec 80

[Article by Rene Candia Navarro: "Geopolitical Motivations in Integration"]

[13 Dec 80, p 2]

[Text] The last two decades have been characterized by the efforts waged on an international level in search of solutions to complex problems posed by development and international cooperation.

However, the net results of these efforts have not in the 20 years that have elapsed measured up to the expectations invested in them, in the area of the Third World countries in particular.

It could instead be said that the breach which separates them from the industrialized countries will be bloodied in the years to come if a firm political will is not placed in the service of that goal.

This reality fully justifies the battle being waged today to establish a new international order.

But if indeed there is an increasing sense of frustration in the realm of what has been done, the positive successes which have been achieved with regard to the definition of policies better adapted to challenging the multinational effort as a function of joint development should be recognized.

In fact, the actions undertaken by governments and international bodies have been oriented toward finding the plans best suited to speeding up the process of change within the framework of international relations.

The new concept which now underlies the action of the nations in all of the geographic areas of the world assigns a role of the very greatest importance to the establishment of large economic blocs as one of the most efficient tools for resolving the problems inherent in the contraction of national markets and the shortage of financial, technological and human resources.

Latin America has not been unaffected by these concerns, and since 1960, various integration models have been implemented, such as the Latin American Free Trade Association (LAFTA), which has now been replaced by the Latin American Integration

Association (LAIA); the Cartagena Agreement, the Plate River Basin Treaty, the Amazon Cooperation Treaty and, more modest in scope, the URUPABOL [Permanent Joint Commission of Uruguay, Paraguay and Bolivia].

Bolivia, because of its particular geographic location on the continent, is the only country participating in all these processes, and precisely because of this circumstance, it has an imperative to analyze and plan its participation, taking into account not only its own concept of what its contribution to these joint efforts means, but what is more basic, the positions of the other countries and the factors of various natures which underlie them.

Among these factors, those of a clearly economic and social nature are those which stand out most clearly in an analysis of the genesis and development of these processes. Put in another way, cooperation for joint development, the harmonization of economic policies, the implementation of physical and social infrastructure projects of shared interests, etc., are the classic frame of reference for the evaluation of these processes.

However, it is undeniable that in the complex of motivations and goals dictating the behavior of each country in connection with the integration effort, those of a geopolitical nature, never analyzed previously as a basic theme within the framework of regional and subregional integration policies, play a role of significant importance.

A rapid survey of the most outstanding and notable geopolitical doctrines sustained in South America, set forth in profound studies disseminated internationally, makes it possible to identify certain concepts and definitions, the analysis of which is of interest because they have reference, directly or indirectly, to our country.

In this regional geopolitical thinking, it is important to stress the following concepts, which now constitute a common denominator with disturbing implications.

First is the existence of two antagonisms on the continent: Atlantic versus Pacific, and Plate River Basin versus the Amazon River Basin.

With regard to the latter, the efforts in the Amazon and Plate River areas to broaden and consolidate their areas of influence are plain to be seen in a battle being waged to avoid imbalances which might be reflected in de facto hegemony, although this is not specifically a goal of the policies implemented by the protagonist nations.

The advance of the Amazon region toward the West is seen as a strategic necessity.

The thesis of ideological frontiers overriding the concept of geographic frontiers is urged, giving rise, as an opposing reaction, to the idea of cultural frontiers, a concept which is equally novel which, like the former, overrides the juridical concept of physical limits endorsed by the constitutional instruments of each country or international treaties.

It is maintained that in the South American concert of nations, Bolivia is a country offering an instance of great geographic instability, which is projected into other aspects of its national life.

A thesis is maintained according to which Santa Cruz, Cochabamba and Chuquisaca constitute an "economic triangle" on which the interests of the Amazon and Plate River Basins converge, resulting in their efforts to incorporate it in their respective zones of influence, because of the tremendous potential wealth the region contains.

It is asserted that this triangle, as a result of the above, constitutes a focus of conflict.

It is not a question of concepts or theses formulated in the realm of pure academic or political speculation. Those who proclaim them represent sectors with decisive influence in the political definitions of their respective countries, and on the other hand, the activities pursued in certain areas on the continent clearly reveal that they are inspired by the same ideas.

To all of what has been said we would add by way of background the thinking ventured by a few in the realm of geopolitics, which should not be overlooked because these are scattered opinions, when it comes to clarifying the fields for geopolitical discussion or conflict. We refer to the isolated voices which maintain that Bolivia is a "geographic absurdity," or those who urge the elimination of the weak countries at the hands of the stronger ones, as a geopolitical imperative.

In view of this international policy concept Bolivia did nothing but assume a weak position, terming itself a "country of contact, rather than antagonism."

The experience of life since the era when this thesis was formulated shows the role which has been played by the country, with a basically passive nature, receptive to foreign influences, because of the lack of a national geopolitical doctrine capable not only of offsetting and balancing the prevailing trends, but of restoring the role of protagonist played in important stages of its history, as a vital center from which its cultural and political influence radiated across its borders.

[16 Dec 80, p 2]

[Text] If to date Bolivia has measured its participation as a function of American principles and the goals officially defined for its model of integration, it will have to reassess its attitudes, taking into account as well the various national positions from which each country measures its conduct in the context of the others. In other words, its conditions must be formulated on firm foundations, based on the fulfillment of premises in the national interests, which then lead to advantages for each process.

It will be necessary to begin from the viewpoint that the advantage obtained by Bolivia from its participation in the LAIA, the Andean Pact, the Amazon Pact, the Plate River Basin and URUPABOL should not be regarded as an absolute value. The other side of this position is that it involves an enormous responsibility for multiple contributions to the programs and projects implemented in each region, along with the fact that with each one of them, the country must deal with geopolitical guidelines which are often in conflict. This is aggravated by the existence of a great potential for wealth within the framework of a weak economic structure.



Regrettably, it has not always acted thus in the past.

Some examples illustrate this statement.

Trust has been placed in the virtues of such tools as the Montevideo Treaty. However, the concept of reciprocity it postulated, with reference to "the expectations of increasing trade flow," meant in fact that only the more developed countries benefited.

Within the framework of Andean integration, reliance was placed on the certainty of fulfillment of the principles of solidarity and harmonious growth, with equitable distribution of profits. But the lack of an adequate correlation among the goals of the pact, the strategies adopted to achieve them and the reality prevailing in each country frustrated a good part of our expectations.

For example, with regard to joint industrial planning, the agricultural and agro-industrial sectors were not included, in which our country offers obvious comparative advantages.

It was not until an undeniable reality weighed heavily that the bodies concerned with the agreement recently turned their concern to these areas.

With regard to foreign investments and the treatment given them in Decision 24, Bolivia was at the same point of departure as the other countries, without taking into account the fact that when that decision first went into effect, the situation showed sharp disparities one from another, to the point that Bolivia and Ecuador have as of that time been the recipients of only 6 percent of the foreign investments which had already strengthened the economies of the other partners.

The causes of the limited participation by Bolivia in Andean integration have been misinterpreted, being attributed to the inadequacy of the definition of its contribution to the process.

As a result, a plan designed to correct this situation (Decision 119) was drafted, in accordance with which Bolivia will receive assistance in order to:

Identify the opportunities integration offers;

Promote the development of its existing industries;

Promote the financing and management of industrial projects;

Establish an integral system of export promotion; and

Raise the technical levels of domestic manpower resources.

Analyzing the content and motivations of these programs, it must be concluded that they do not have the virtue of absolute truth. It could rather be said that the true causes to which the limited Bolivian participation is due were side-stepped. The examples mentioned above are not the result of isolated causes alien to the spirit which underlies these processes.

Let us recognize that the decisions by means of which the major lines of action are concretely implemented in the main, if indeed they are based on detailed technical analyses, are dictated by the political orientation set forth by the participating government, with the particular effect of the greater influence some of them are in a position to exercise. For example in the case of the LAFTA, the establishment of the process seems to have been inspired by the interests of the countries which, as the decade of the '50s began, had undertaken a vigorous policy of replacing imports, developing an industry the production of which would meet the needs of their domestic markets in major sectors. Thus the LAFTA was born as a tool of trade policies, and it espoused the principle of reciprocity based on simple expectations, rather than a minimum of quantitative criteria.

It is curious that Bolivia was the nation to urge the incorporation of a common market clause in the Montevideo Treaty, for it was already beginning to see that if it prevailed only in the area of unbalanced trade exchange, it was condemned to languish and die.

In the final analysis, the essence of this orientation would seem to destine certain countries such as Bolivia to be markets--the purchasers of manufactured goods, in a kind of repetition of that now-outdated plan for the international division of labor urged by the large industrial countries in the Old World, to which, and rightly, the ECLA [Economic Commission for Latin America] reacted negatively.

Where the strategies adopted to achieve Andean integration are concerned, it can be said that they conceal in the background aspirations which would benefit the more developed countries in the group.

The mere fact that the industrial plan is interpreted not as a complex of responsibilities which cannot be sidestepped but as a mechanism for the distribution of opportunities immediately indicates in what direction the best advantages of immediate implementation would move, in other words in the direction of the countries which have the greatest financial, technological, infrastructure and market resources, rather than to others, whose potential remains dormant, awaiting precisely these factors.

And what has been said does not take into account the fact that assignments were not measured quantitatively or qualitatively in inverse proportion to the lesser degree of development in countries which must speed up that development to close the gap separating them from their partners.

In brief, and casting an overall view at the realities integration reveals to us, it can be said that beyond the cold statement of its principles and objectives, there lie interests predominantly advantageous to some and to the disadvantage of others.

The interests, if analyzed in depth, have roots which will have to be sought in geopolitical orientations with increasingly visible implications.

What has been said above and the many aspects of a stricter analysis of this theme which could be listed should give rise to serious reflection and indicate

the need for the national strategy to be based on a solid geopolitical concept as a basis for the national policy projections.

As is natural, the nature of this document and of this meeting allow us only to outline the subject as one meriting study in greater depth.

We offer it then, in that spirit.

5157

CSO: 3010

## STATE TURNS DOWN FINANCIAL AID TO PRIVATE SECTOR

La Paz PRESENCIA in Spanish 19 Dec 80 p 9

[Text] Gen Luis Garcia Meza, president of the republic, said yesterday that the state "will not continue to finance the deficits of the public enterprises." This statement was made at a breakfast he shared with railroad workers and authorities of the Ministry of Transportation and the National Railway Enterprise.

He said that the main public enterprises are experiencing a critical situation, but that "we cannot resolve this heritage from the past immediately."

He announced that his government will not cover the deficits these enterprises incur and that the authorities responsible for managing them must find proper solutions for overcoming the deficit situations.

He said: "We Bolivians have recently realized what is happening in the country, what a disastrous situation we inherited. It is not our fault but that of the leaders of international extremism who came (to the country) for the specific purpose of damaging the national economy, corrupting and creating confusion in the country."

He also spoke of the need of "depoliticizing the public enterprises. We do not need politicians," he said, "what we need is to work."

## Railway Enterprise Situation

The president of the republic attended the breakfast in the company of the commanders of the navy and the air force, Vice Admiral Ramiro Terrazas and General Waldo Bernal, and the chief of the joint general staff of the armed forces, General Eden Castillo.

At the meeting, engineer Fernando Solares explained the economic and financial situation of the ENFE [National Railway Enterprise], stating that by 1983 the problem of lack of resources for this enterprise could be resolved.

He explained details of the railway recovery plan and the 10-year plan which has been drafted. He also asked for the cooperation of the government in meeting the commitments and carrying out the plans of the National Railway Enterprise.

Subsequently, railroad administrators spoke, voicing this sector's support of the government. Abraham Monasterios said that "we railroad men are fighting shoulder to shoulder with the armed forces against those who destroyed the country," and he stated that the "resources of the railroad fund were mismanaged in the recent past, to the point that there are resources now to cover the pension costs for only 300 workers."

## PLANNING MINISTRY PREDICTS \$14 BILLION IN LOANS FOR 1981

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Dec 80 p 19

[Text] Brasilia--Brazil will have to borrow about \$14 billion abroad in 1981, but only \$4 billion will be new money; the other \$10 billion will be used to roll over existing debt. Total foreign debt will increase less than 10 percent, closing out the year with about \$60 billion of gross debt.

This forecast was made by Planning Ministry authorities who in recent days have been examining the major figures for the 1981 balance of payments, inasmuch as 1980 results have already been determined, with foreign accounts ending the year in line with official forecasts for the major items.

## 1980

According to latest figures, the current-account deficit was about \$12.5 billion and the trade deficit was almost \$3 billion. Reserves, Planning Minister Delfim Netto asserts, will be \$6.7 billion at year's end, which is about 10 percent above the minimum margin of safety, equal to 3 months of imports. Foreign borrowing was over \$12 billion, including the \$750 million borrowed by Alcoa and the nearly \$300 million borrowed by Itaipu during the 2d week of December. The latter loan was oversubscribed by \$50 million.

Using \$1 billion of nonconvertible currency from Brazil's \$2.5 billion trade surplus with East European countries prevented reserves from eroding as much as \$4 billion, so that they were reduced by \$3 billion to \$3.2 billion. This alternative may be used again in 1981.

## 1981

For 1981, according to forecasts by government experts, Brazil will need about \$22 billion gross borrowings, compared to \$19.4 billion in 1980, but the planning minister hopes direct investments will rise from \$2 billion to \$2.5 billion and that loans from financial institutions such as the IDB and the World Bank will total \$2 billion.

Another alternative for relieving the balance-of-payments situation, now that liquidation of reserves is excluded, is use of \$1.5 billion in nonconvertible currency from the trade surplus with East European countries. There is also the possibility of floating at least \$1 billion of bonds in the international market--especially in Japan and FRG and among the Arabs, although there were great difficulties in using this alternative in 1980 and they will probably continue in 1981. In 1980 the government hoped to issue \$1 billion of bonds, but had to be satisfied with half that amount.

8834

CSO: 3001

## PRESTES VIEWS CRISIS IN PCB, URGES BUILDING NEW PARTY

Rio de Janeiro JORNAL DO BRASIL in Portuguese 4 Jan 81 p 4

[Report on speech by Luis Carlos Prestes, former secretary general of the PCB [Brazilian Communist Party], at his 83d birthday party in Sampaio Athletic Club on 3 January]

[Text] In the first time he has commented publicly on the crisis within the Communist Party since he was removed from the Central Committee, Mr Luis Carlos Prestes said yesterday it is necessary to construct a new, really revolutionary party and that one cannot be negative about the history of the PCB, "as are certain party bosses who call themselves communists."

He celebrated his 83d birthday at the Sampaio Athletic Club, attended by about 1,000 persons, including friends, labor leaders from several states, politicians and not a member of the Central Committee. Anita Leocadia, his daughter, said that "the vast majority of communist militants still consider Prestes the secretary general of the party."

## Bombs

One hour before Luis Carlos Prestes arrived, two tear-gas bombs were tossed into the club--according to witnesses, by the occupants of a Volkswagen with the license plate 3400, which did not even stop. There were no casualties, despite the tumult that ensued. The club was emptied and some persons were frightened enough to leave.

The party was organized by a committee headed by architect Oscar Niemeyer and began at 1200 hours. There was plenty of beer and barbecued meat. About 3,300 free invitations were distributed (but voluntary contributions were accepted), although the club did not have that large a capacity. Members of the PCB Central Committee were not invited.

Opposition political leaders such as Leonel Brizola, Ulisses Guimaraes, Luis Inacio da Silva (Lula) and Roberto Saturnino were invited but did not come. No members of the PDS [Social Democratic Party] were invited by the organizers.

From the beginning of the afternoon many people were arriving at the Sampaio, a small club in the suburb of the same name, near Meier. Those who were at the party included representatives of the metallurgists, bank employees and petroleum workers unions, among others, neighborhood associations, student leaders and heads of



various entities. While they were waiting for the arrival of Luis Carlos Prestes, the barbecue was consumed, at 60 cruzeiros per skewer. The beer was the same price.

About 1430 hours the tear-gas bombs were thrown through the club's entrance from a car passing by at a high speed, causing irritated eyes and throats for the approximately 500 people there at the time, who ran out of the ballroom in fright. When they got over their scare, a chorus was formed in the club and the name of the communist leader was sung to the tune of a popular song: "From the North to the South, from the East to the West, All the people shout, Luis Carlos Prestes."

Prestes arrived at 1540 hours. Everything had already returned to normal. He was welcomed by applause that lasted over 15 minutes. By that time there were about 1,000 people in the club.

#### The Cake

Anita Leocadia again asserted that the demonstration showed that communists still consider Prestes secretary of the party. The split within the PCB was also brought up by other guests and the representative of the Sao Paulo ABC [refers to industrial sections of Santo Andre, Sao Bernardo do Campo and Sao Caetano do Sul] delegation, Armando Mazo, criticized those who had removed the leader of the party from the Central Committee. He said that "the followers of Marxism-Leninism are confident that history will toss these people onto the trash heap."

After speeches honoring Prestes by representatives of delegations from the states of Rio de Janeiro, Bahia, Ceara and others and politicians such as State Deputy Jose Eudes (PT [Workers Party]), the communist leader cut the cake, with architect Oscar Niemeyer at his side. The cake, made by relatives of singer and composer Taiguara, who organized the show that followed for the rest of the afternoon, carried the inscription "83 years of struggle for socialism, PCB" and had the design of a hammer and sickle made with peaches.

Then Prestes blew out the candles arranged in the form of a star, left the table where he had been sitting with communist militants and spoke from the stage, applauded by the people in the club, which was decorated with PCB flags and pictures of Lenin.

#### Leader Calls Himself a Persistent Soldier

These are the main passages from the speech by Luis Carlos Prestes:

I am here among you as a mere soldier of the proletariat, but a persistent soldier who has learned that the essential thing for the human being to succeed in overcoming the vicissitudes of life is to be persevering in adverse and difficult situations.

And is it not perseverance that we need the most? Perseverance in studying the science of the proletariat and the reality in which we live? But this study is not enough; through it we must attain to revolutionary conviction. We also need to love the cause for which we struggle. And we must be capable of dreaming...

Let us learn to dream, of course. But also to struggle for peace in the world... The first duty of every citizen is to work for peace in the world and to understand

the historical role of the great Soviet Union--the only nation that, through the strength of its economy and its military power, through the policy of peace and peaceful coexistence which it thus consequently practices, and through its growing prestige in the international arena, is in a position to contain the murderous might of the masters of money and power of the capitalist world.

Without the Soviet Union the "cold war" policy could not have been replaced by international detente.

And what about our own land? What is our present situation?... Here in our own land, to struggle for liberation and for equality is to struggle for a new society, really free of exploitation of man by man.

We are working toward achievement of socialism, construction in our own land of communist society.

But the only way we can attain that is by achieving the most complete democracy. Only when all Brazilians can effectively participate in the nation's political life, when not only political but also economic and social democracy is achieved for the masses, can the working class organize the bloc of antimonopolistic, anti-imperialistic and antilatifundistic forces, able to struggle for authority and actually achieve it.

Hence, it is in the struggle for the democratic freedoms and for the demands of the workers where we must now concentrate our efforts. This is not yet the time to hasten the revolution, but to strengthen education and preparation of revolutionaries, especially the working class and its essential allies--the peasantry and the petty urban bourgeoisie.

It is true that for us to advance in the desired direction a vanguard organization is indispensable. So we must overcome the current crisis, construct a new, really revolutionary and internationalist party. I am aware of the errors we have committed, especially of my own errors. But this festive moment is not the proper occasion to analyze them. I take pride in my 60 years of struggle, as well as in the 58 years of our party's activity. We have no right to be negativists about the history of the PCB, as are certain party bosses who think they are communists. On the contrary, more than ever we must be able to defend and exalt the memory of our heroes and martyrs.

I will never forget the hundreds of comrades who fell in the Tenentista struggles and those whose tombs bear witness to the march of the Coluna Invicta through Brazil. How can one forget the 55 comrades assassinated during the government of General Dutra? How can one forget those who fell more recently or who to this day are still missing?

Glory and honor to all of them. Their sacrifice was not in vain.

The struggle continues and victory is certain!

## PRESTES DEEMS PCB CENTRAL COMMITTEE TO BE TO RIGHT OF PP

Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Dec 80 p 3

[Text] Porto Alegre--After terming the present Central Committee of the Brazilian Communist Party (PCB) "further to the right than Senator Tancredo Neves (PP [Popular Party])," its former secretary general, Luiz Carlos Prestes, criticized the "opportunism typical of the right that characterizes the present leaders, who will certainly be responsible for a serious disaffection of the rank and file."

He condemned the campaign for calling a constituent assembly, alleging that "if this idea takes on the proportions of a great demand of the masses, President Figueiredo will eventually call a constituent assembly himself, in one more farce of the system, assuring a government majority."

## Discreet

Although he had said he would not comment on the internal crisis of the PCB "in the bourgeois press," Luiz Carlos Prestes deplored the directives adopted by the current leaders of the party. He calls such declarations "a betrayal of the working class and dangerously close to those of the party of the dictatorship."

He thought it ironic that, whereas leaders of the opposition parties expressed doubts about continuation of the political liberalization, the current secretary general of the PCB, Giocondo Dias, "is the only one who believes in it. Hence, he is to the right of even the PP." He believes, however, that the PCB will regain its "true principles, repudiating these random deviations."

In explaining his reservations about calling a constituent assembly, Luiz Carlos Prestes pointed out that "this is not the time to be talking about this, as a constituent assembly will only come about after achieving democratic freedoms." He added that, as long as the regime is supported by "the arbitrary laws, the apparatus of repression and despotism, it will also be able to manipulate a constituent assembly according to its interests."

In his opinion, as soon as the campaign for a constituent assembly becomes "a mass struggle, the government will promptly find a way to grant its convocation. But, of course, it will manage to guarantee a government majority among the delegates." He proposes that the opposition parties make an effort to reestablish "broad solidarity with the democratic freedoms; otherwise, everything will continue the same."

Pessimistic about whether direct elections will be held for state governors in 1982, the former secretary general of the PCB expressed apprehension about the possibility of "the federal government between now and then instituting a series of 'packages' that eventually will prevent our having a legitimate election as, through electoral safeguards, it will be able to guarantee a majority of governors in the nation's most important states."

In evaluating the year 1980, Luiz Carlos Prestes pointed out: "I did not see anything good. In 1979 at least there was amnesty, which was progress, but this year I only see hunger, the economic crisis and political uncertainty increasing."

In regard to the impossibility of legalizing the PCB, he asserted: "We will continue to support all opposition parties; we will have candidates on all tickets, as in fact we have always done."

8834

CSO: 3001

## BRIZOLA DENIES SUPPORT TO 'MERE LIBERALS' BROSSARD, SIMON

Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Dec 80 p 3

[Text] Porto Alegre--National PDT [Democratic Labor Party] President Leonel Brizola asserted at a meeting with the Rio Grande do Sul delegation yesterday that under no circumstances would the PDT support a candidacy of Senator Pedro Simon or Senator Paulo Brossard, both of the PMDB [Brazilian Democratic Mobilization Party], for governor of Rio Grande do Sul, as he considers them "mere liberals" who would do nothing to advance the people's struggles.

Labor deputies reported that Leonel Brizola emphasized that a liberal in the government "would be co-opted by the regime in no time at all and become another Chagas Freitas."

The deputies also revealed the former Rio Grande do Sul governor's desire to obtain a merger between the PDT and the Workers Party.

## Stalling Tactics

The meeting was held in the morning at the home of Deputy Romildo Bolzan and attended by 11 of the 12 members of the state delegation (only Mr Gil Marques, undergoing surgery, did not come). Laborites, who were enthusiastic about the meeting, stressed the frankness of the debates and the importance of some conclusions.

Deputy Americo Copetti revealed that there was a thorough discussion of under what circumstances the PDT could unite with other opposition parties in the 1982 popular elections. "It was decided unanimously," he said, "that the PDT could never support a liberal for an executive post. A liberal would be co-opted immediately by the system; the necessary fundamental changes in political, economic and social structures would not be made."

The PDT vice leader in the Legislative Assembly, Deputy Romildo Bolzan, said Leonel Brizola had emphasized that liberals "use stalling tactics to avoid advancing the people's struggles; they advocate unity of the opposition parties without saying for what purpose and they advocate a constituent assembly without saying in whose interests."

The labor deputies also reported that Brizola contends that a coalition in which liberals--specifically citing Senators Pedro Simon and Paulo Brossard--were elected state governors would lead to confusion in voters' minds. As such governors would

not promote basic changes, the electorate, according to Brizola, "would conclude that the parties are all alike, whereas the PDT must distinguish itself as an alternative party sincerely reflecting the people's struggles."

Controlling state secretariats as a result of a possible coalition would have little value for the PDT, according to Brizola, as a liberal governor would soon compromise his whole government, creating an impossible situation for the labor party. The deputies said Brizola stressed that "3 months after taking office we would break up with a liberal governor," but the PDT would be held accountable by the public for having supported the liberal.

Leonel Brizola also said that the PDT should not be in a hurry to come to power, because bringing about the thorough structural changes it proposes requires popular support: "Organization of the people is a long-term task."

The laborites think it possible that the PDT may enter coalitions supporting liberals for the Senate, as they contend that legislative work does not have the same importance as that of the executive in promoting social change.

Deputies who took part in the meeting also reported that Leonel Brizola desires a merger of the PDT with the PT [Workers Party]. Mr Brizola told them that a PDT leader called him recently saying that his two sons had joined the PT and asked him to "see if he could arrange a merger," to which Mr Brizola replied: "But this is what I want, too." The ex-governor urged the Rio Grande do Sul deputies to "maintain the best possible relations with the PT."

He believes the laborites should be patient with criticisms made by the PT about the PDT, as many members of the Workers Party are young "and they swallowed everything they heard the government say against us. It will take a while to get over this."

8834

CSO: 3001



## POLL SHOWS MAJORITY CONCERNED OVER LACK OF MONEY

Rio de Janeiro O GLOBO in Portuguese 10 Jan 81 p 16

[Text] Sao Paulo--Most Paulistanos and Cariocas [residents of the cities of Sao Paulo and Rio de Janeiro, respectively] are concerned over their financial situation, as nearly 7 out of every 10 persons are disturbed about their lack of money. This is revealed by the Gallup Institute survey published yesterday, which concludes that this concern is more pronounced in Sao Paulo (69 percent) than in Rio de Janeiro (65 percent).

Gallup interviewed 627 persons in Sao Paulo and 501 in Rio de Janeiro, together with another survey made recently which learned that most wage-earning families of the nation's two largest cities would use their Christmas bonus to pay off debts or make purchases they have been postponing.

## Uneasiness

In the reported survey the institute reveals that only 9 percent of the Paulistanos and 8 percent of the Cariocas are "entirely undisturbed" about their own financial situation. There are 22 and 27 percent respectively who say they are "fairly unconcerned," whereas 35 percent of those in Sao Paulo and 25 percent of those polled in Rio de Janeiro say they are "somewhat concerned." The "very concerned" represent 34 to 40 percent of those interviewed.

The Gallup Institute also learned that "the less purchasing power, the more people are concerned over their financial situations." Thus, in Sao Paulo most persons in "Class A" say they are undisturbed about this, the women being more worried about their economic situation than the men, by 74 percent to 55 percent. The most worried age group is that between 30 and 40 years of age and older persons are somewhat less worried.

The same thing is reported in Rio de Janeiro: persons with less purchasing power are the ones who are most worried about their financial situation.

8834

CSO: 3001

## PCB LEADER SAYS PARTY WILL CONTINUE FIGHT FOR LEGALIZATION

Rio de Janeiro JORNAL DO BRASIL in Portuguese 15 Dec 80 p 3

[Text] Mr Givaldo Siqueira, one of the seven members of the National Executive Board of the Brazilian Communist Party (PCB) Central Committee, asserted yesterday that prohibition of the VOZ DA UNIDADE festival will not change the party's strategy, which will continue to struggle for its legalization.

In the first interview he has granted since his election in July of last year to the National Executive Board of the Central Committee, the communist leader asserted: "With the granting of amnesty, we understood that we were to struggle to legalize the party. The law gives us that right and since then all our activity has been to prove to society that we want to be a legal force. Since amnesty we have been operating in the open and there is no one who can point to a single clandestine act by communists."

## Pretext

He contends that prohibition of the festival of the VOZ DA UNIDADE, the unofficial organ of the PCB, was decided "through pressures from sectors inside and outside the government that are opposed to political liberalization, to democracy in general and to communists in particular.

"In Brazil," he stressed, "this anti-communism is used as the pretext to strike a blow at all democracy. The prohibition is part of a chain of acts that have been taken for some time and results from the crisis faced by the government in its own party (the PDS [Social Democratic Party]) due to aggravation of the economic situation."

According to Givaldo Siqueira, the government is now beginning "to impose stricter limits on its own liberalization bill, on the forces of the left, on liberal and democratic forces, because it hopes in this way to get more support from society to carry out its political plans.

"All democrats," he warns, "must understand this position of the government: woe betide us if we think the issue is just against the VOZ DA UNIDADE, the communists, the Socialist Convergence, or the PT [Workers Party]. The prohibition is against the process of redemocratization of national life."

Mr Givald Siqueira regretted that the former secretary general, Luiz Carlos Prestes, continues to disagree with the new national directors of the PCB, led by Secretary General Giocondo Dias: "This disagreement is very bad for the party but, unfortunately, it has not come about through our fault; we did not initiate it. The continuation of our disagreement indicates that things are going according to the government's plans, as announced by General Golbery do Couto e Silva at the War College.

"Anyone who works against the unity of the democratic forces weakens the small democratic ground we have already taken," says Givaldo Siqueira, who also believes that "it is part of the government plan not to legalize the PCB so it can continue accusing the communists of infiltrating other parties and the Church."

Mr Givaldo Siqueira concluded by stressing that: "We will continue the struggle for legalization without seeking the overthrow of President Figueiredo. We will operate within the democratic ground we have taken. We are not going to become involved in confrontation, nor will we allow ourselves to be dragged into it."

8834

CSO: 3001

## ARRAES LIKENS ECONOMIC MODEL TO THAT OF SHAH IN IRAN

Rio de Janeiro JORNAL DO BRASIL in Portuguese 14 Dec 80 p 5

[Text] Sao Paulo--The economic model adopted by Brazil is the same as that which led to revolution in Iran and to the convulsions now shaking Poland. This is the interpretation given by the 2d national vice president of the PMDB [Brazilian Democratic Mobilization Party], former governor Miguel Arraes who, in advocating "combat against the regime," recommends a change in the nation's course, "as long as there are conditions for a democratic and peaceful change, to reconstruct Brazilian society on more equitable terms, which will never happen along the path the nation is now forced to travel."

The former governor of Pernambuco recalled that "no one any longer denies the existence of a profound economic and social crisis in the nation, not even the regime's own men, which means that the strategy adopted in 1964 has failed." Miguel Arraes finds that those responsible for economic policy insist upon maintaining the same direction, "as the measures they have been taking prove, and which will force us into an increasingly more serious social situation."

## Appendage

"The method adopted to execute that strategy," he continues, "was constantly increasing internationalization of the economy and increasing loss of the nation's power of decision on matters that concern it. We consider it a serious error to lose control over instruments that would help provide solutions appropriate to the specific case of our country, freeing us from extraordinary dependence upon external factors, frequently unneeded. This whole strategy was established inspired by ideas that may be beneficial to multinational groups, but that necessarily do not respond to the needs of the Brazilian people."

The ex-governor believes that, although the crisis experienced by Brazil results from the high prices of petroleum, it is also the consequence of lack of vision by the regime installed in the nation in 1964. And he recalls: "The principle that we should become self-sufficient not only in petroleum but also in energy to be used in the nation was abandoned. After 1964 funds appropriated for exploration and for drilling oil wells were frozen on the pretext that it would be cheaper to buy from the exporting countries."

"This implied the assumption that those peoples would never change, that they were not struggling to enhance their wealth, and that the neocolonialist world supported

by the United States would remain unchanged. Things are changing. Years later, Brazil bears the weight of fuel imports and especially bears the great burden of importing raw materials for an industry installed in the nation--I say installed in Brazil because this does not mean that it is Brazilian. The dependency of our economy has reached such a point that a question must be asked: is there indeed a Brazilian economy or has it become a mere appendage of the international economy?"

#### Iran and Poland

In asserting that the same model adopted in Brazil was applied in Iran and in Poland, Mr Miguel Arraes recalls the position of the former U.S. secretary of state, Henry Kissinger, who claimed that the late shah of Iran took his country out of the Middle Ages, transforming it into a modern nation.

"There was, in fact," Mr Arraes acknowledges, "much that was modern in Iran, including a class that quickly enriched itself at the expense of the population, which eventually overthrew the former sovereign and rejected this false modernization that benefited only a narrow class that managed to enjoy the fruits of an economic growth that did not meet the needs of society as a whole."

The former governor explains that the same export-oriented model was adopted by a socialist country, Poland, "which borrowed money from the West to establish huge industrial complexes and pay for sophisticated technology on the assumption that production from such great complexes would pay off the debt.

"Despite receiving at prices below the international market 12 million of the 20 million barrels of petroleum it needs, Poland has not been able to meet its obligations. The Poles have had to export agricultural products to meet their commitments. The strikes in Poland some years ago and the movement that is underway there today result from the fact that this exportation of foodstuffs jeopardized food supplies for the population, whose current living standards are clearly better than ours."

#### Solution

In the opinion of Mr Arraes, convening a National Constituent Assembly, "a democratic and peaceful instrument for rediscussing the situation," is one of the solutions for the Brazilian crisis, but he feels that "this discussion cannot be conducted by the whole nation, whose aspirations these constituents must express and represent."

He says it is irrelevant whether or not the constituent assembly is called by President Figueiredo, because he contends that "the issue is to know whether it will, besides repealing the arbitrary laws that impede full debate, carry with it acknowledgment of this serious economic and social situation and whether the government wants to solve it."

Mr Miguel Arraes also refuses to discuss whether the next president of the republic will be a civilian or a military man. "It is not fitting to think about persons, either civilian or military," he says, "but to study the mechanisms that led us to the present crisis, without it being possible either to contain it or eradicate it."

## DECEMBER INFLATION RATE OF 6.3 PERCENT IS LOWER THAN EXPECTED

Rio de Janeiro O GLOBO in Portuguese 31 Dec 80 p 14

[Text] The December inflation rate of 6.3 percent surprised many well-informed persons, who expected it to be about 8.5 percent. The source is the Getulio Vargas Foundation.

The Wholesale Price Index (IPA), moving in the opposite direction this time, was responsible for the reduced rate of inflation, which was 7.6 percent in November, the same as in October.

At the Getulio Vargas Foundation, the most realistic estimates were between 7.6 and 8.0 percent the day before the figures were computed. The most pessimistic were between 8.5 and 9.0 percent, according to reports published in some newspapers.

There was also surprise among government officials, who were estimating the inflation rate between 7.1 and 7.4 percent.

Most responsible for the fall in the inflation rate this month was beans, the wholesale price of which fell from 6,000 cruzeiros at the beginning of December to 3,000 cruzeiros per 60-kilogram sack in recent days.

Black beans and other beans carry much weight in the Wholesale Price Index--3.84 percent. Their higher prices in the recent period strongly influenced the rise in the nation's inflation barometer, especially in the wholesale trade. Now, with the rainy-season crops coming to market, which reach peak production this month, prices fell steeply with strong repercussions on the Wholesale Price Index. The latter index represents 60 percent of the final inflation index.

The rise of the price for beans is not being considered in calculating the cost of living--which also enters into the computation of inflation--as they had almost disappeared from Rio de Janeiro supermarkets where the Getulio Vargas Foundation gets its data.

In the National Consumer Price Index (INPC), however, the increased price of black beans, which were sold last month at 170 cruzeiros per kilogram, was included, as its data-collection system is much more extensive. The result, according to analysts, is that the November INPC was 8 percent and the cumulative rise in the last 6 months was 43 percent, breaking the record.



## INFLATION RATE IS 5.9 PERCENT IN DECEMBER, 110 PERCENT FOR YEAR

Rio de Janeiro O GLOBO in Portuguese 8 Jan 81 p 19

[Text] December inflation was 5.9 percent, totaling 110.2 percent for the year 1980. The index represents a drop in relation to November, when cumulative 12-month inflation was 113 percent and the rate for the month was 7.6 percent. But the 1980 inflation is an all-time record for Brazil.

The cost-of-living index rose 8.2 percent in December, due mainly to public services, which rose 17.2 percent. The 1980 increase in living costs was 86.3 percent (hence less than the rate of inflation). The factors mainly responsible for this increase were personal services (up 91.8 percent), public services (up 91.7 percent) and food (up 90.9 percent). Housing and apparel, in turn, had the smallest price increases in 1980: 65.5 percent and 69.6 percent, respectively.

Wholesale prices rose less than retail (cost of living) prices, increasing 5.1 percent in December. This was the only month in 1980 that wholesale prices rose less than did inflation. Wholesale prices rose 121.3 percent in 1980, pulling overall inflation to 110 percent.

The civil construction index in Rio de Janeiro rose 5 percent in December and 113 percent during the year. The construction index is the smallest component of the inflation rate.

December construction increase can be broken down into an 8 percent increase in prices for materials and 0.8 percent in labor-cost increases. During the year construction materials rose 133.2 percent and the cost of labor rose 88.5 percent.

According to the Getulio Vargas Foundation, which computes the price indices, "the annual rate of inflation (110.2 percent) reflects a significant acceleration of prices compared to the previous year (77.2 percent). The causes of this acceleration are well known and result from many sources of pressure on prices, both foreign and domestic. The main pressure from abroad continued to be that from imported petroleum. Domestic pressures represent a broader gamut of causes, ranging from the public-sector deficit, extending through subsidies as a factor in expansion of the monetary base and the wage policy as a cost-push element, to manifestations of 'corrective inflation' that continued to exist during 1980."

# Inflation in Brazil Since 1960

Anos	%
1960	36.8
1961	47.7
1962	81.8
1963	81.3
1964	81.8
1965	34.8
1966	38.6
1967	24.3
1968	25.4
1969	20.2
1970	19.2
1971	18.8
1972	18.5
1973	18.7
1974	34.8
1975	29.4
1976	48.3
1977	38.7
1978	48.8
1979	77.2
1980	118.2

## Consumer Price Index, City of Rio de Janeiro

DISCRIMINAÇÃO (1)	Nº Índice de (10) dezembro (1977 = 100)	Dezembro (11)		Jan. a Dezembro Últimos 12 Meses (14)	
		Var (%)	Inf. (%)	Var. (12) (%)	Inf. (13) (%)
GERAL (2)	520.1	8.2	100.0	80.3	100.0
Alimentação (3) (4)	585.8	8.7	64.1	90.9	45.8
Vestuário (5)	313.1	4.8	1.5	88.8	2.2
Habitação (6)	306.0	4.8	8.5	85.5	11.7
Artigos de Residência (7)	448.7	8.2	7.0	88.2	9.1
Assist. Saúde e Higiene (8)	488.7	2.2	1.2	87.9	4.2
Serviços Pessoais (9)	567.2	7.4	15.5	91.8	17.2
Serviços Públicos	817.8	17.2	22.2	91.7	11.7

FONTE: Centro de Estatística Econômica - IBRE/FGV. (15)

### Key:

- |                            |  |
|----------------------------|--|
| 1. Description             | 10. Numerical Index for December           |
| 2. Overall                 | 11. December                               |
| 3. Food                    | 12. Change                                 |
| 4. Apparel                 | 13. Relative Weight in Index               |
| 5. Housing                 | 14. 12 Months, January through December    |
| 6. Household Articles      | 15. Source: Center for Economic Statistics |
| 7. Health Care and Hygiene | --IBRE [Brazilian Institute                |
| 8. Personal Services       | of Economics]/FGV [Getulio                 |
| 9. Public Services         | Vargas Foundation]                         |

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## CTA AIRSTRIP EXPANDED TO ACCOMMODATE FOREIGN DELEGATIONS

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 Dec 80 p 6

[Text] The cramped airport of the Aerospace Technology Center [CTA], with its 3,000-meter runway, is no longer sufficient. With Brazil constantly expanding its armaments exports, the small landing field can no longer meet the demand of constant foreign delegations that land in Sao Jose dos Campos, in the Sao Paulo interior, to visit the ordnance industries in the municipality and the various research institutes located there.

In 1980, 54 military missions from various countries of 4 continents visited the city, most of them coming from the United States, France and China. In 1981 the Brazilian government intends to expand its armaments sales and thus decided to expand the CTA airport by beginning construction in January of a new passenger terminal, as well as other improvements such as expanding the parking lot and providing urban services to the surrounding area.

Constructing a new international airport in Sao Jose dos Campos is part of a trade offensive by the Brazilian government to maintain the growth rate--averaging 15 percent per year--of the domestic ordnance industry. This makes Brazil, whose exports in 1980 were \$500 million and by 1985 should be \$5 billion, the world's sixth largest producer.

The fame of Brazilian equipment crossed national boundaries, especially after 1977, when armored tanks made by ENGESA [Specialized Engineers, Inc] (the Cascavel, Sucuri, Uruti and Jararaca) defeated in Libya a column of Soviet-made tanks operated by Egyptian troops. The Brazilian ordnance industry now supplies equipment to 32 countries on 4 continents and expects to double its exports next year.

Production of military equipment in Brazil involves activities of 350 companies directly or indirectly associated with the sector, providing about 100,000 direct jobs. Most of them are in Sao Jose dos Campos (the main ones are ENGESA, EMBRAER [Brazilian Aeronautics Company] and AVIBRAS [expansion unknown]), participating in an industry that contributes to the municipality's high consumption of electric power: 775 million kilowatts per hour--more than in 18 states of the federation and less than that of only 4 Brazilian state capitals: Sao Paulo, Rio de Janeiro, Belo Horizonte and Recife.

## FINEP INVESTMENTS IN MILITARY DEVELOPMENT PROJECTS REPORTED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Dec 80 p 12

[Text] Rio de Janeiro--In 14 years of operation, FINEP [Funding Authority for Studies and Projects] invested 61.4 billion cruzeiros in research, of which about 10 percent was for projects and programs of interest to the armed forces, with the FAB [Brazilian Air Force] as the major client. In 10 years, direct financing for research and development organs of the Army, Navy and Air Force was 5 billion cruzeiros and an additional 564,992,000 cruzeiros were invested in the last 5 years in private companies developing equipment of military interest.

The major indirect client of such investment is the Air Force. Between 1975 and 1980, 12 projects of private companies were of interest to the FAB and received a total of 450,610,000 cruzeiros. The Navy Ministry had an interest in four projects that received 49,300,000 cruzeiros altogether, while there was only one project of interest to the Army Ministry (development of technology for steel refining and dross reduction by ELETROMETAL), which received 5,067,000 cruzeiros. Other projects were of joint interest to the three armed forces and totaled 60,297,000 cruzeiros of FINEP investments.

The Air Force is also the major direct client of FINEP financing, having received 2.995 billion cruzeiros, while the Army Ministry received 1.096 billion cruzeiros for its own projects and the Navy Ministry received 820 million cruzeiros.

## Technology and Sovereignty

Although 10 percent is a large share of financing from an agency that has such a variety of activities as has FINEP, ordnance experts feel funds allocated to research on new equipment are insufficient. They say there is still very great reliance on imported technology that will be overcome only with large investments in authentically domestic projects not dependent on imported items.

According to ordnance analysts, the problem of technology in a country such as Brazil cannot be viewed only from the economic angle, much less on the basis of its possible value as an income source, in purely business terms. "Its significance must, above all, be seen in an overall manner involving its political dimension, its social repercussions and its characteristics as a cultural phenomenon. Its relevance for society as a whole must be evaluated on the basis of social return in the form of benefits for the community compared with investment made. This return can come about in various ways, in terms of collective security, social welfare,

new jobs, private profits, and so forth," the former president of FINEP, Alfredo Baumgarten, said recently at the War College [ESG].

For the military, however, the issue of technology goes further and involves the very doctrine of national security in regard to autonomy, sovereignty and the strategic concepts that are considered in formulating national planning.

#### Goal Is to Overcome Lag

It would thus be urgent for Brazil to reduce the time needed to make up for its technological lag. There is neither time nor patience to wait for the return, which in many cases comes only in the long run. Beyond the difficulties imposed by such a gap, there is the attraction exerted by "technological packages" offered by other countries through importing or through setting up production within our own borders. Quite well known in this respect is, for example, the position of Gen Antonio Carlos de Andrade Serpa regarding the Brazilian satellite. Serpa thinks it would be preferable to wait many years and have completely domestic equipment rather than import this equipment and have to depend upon other countries forever.

From this point of view the investments are still insufficient. "It is necessary to gain autonomy to the point of not needing in the future, for lack of our own development capability, to go over the same road again, importing more sophisticated know-how, investing more financial and human resources in the effort to assimilate something new, which in turn will be short-lived because of the rapid obsolescence that characterizes the sector," Alfredo Baumgarten told the ESG students.

#### Armed Forces

In 10 years (1970-80), FINEP provided financing for space activities developed by the three military ministries; exploration of sea resources by the Navy Ministry; alternative energy sources and transportation facilities of interest to the Navy and the FAB; industrial technology, scientific research and development and personnel training of interest to the three armed forces. These items received a total of 4.91 million [as published; billion?] cruzeiros and all of them were of interest to the FAB except for the sea resources.

The financing received by the Navy was for personnel training, pyrotechnics and propellants, naval launching and tracking pads, guided aerial targetry, a computer for ship operation and the "Cabo Frio" and "Baronesa" projects. Of the 20 projects, 3 are concluded and 17 are in progress. Among the 10 projects of the Army Ministry that received FINEP funds are materials for missiles, guided missiles (Roland system), missile tracking, vehicles, computers and chemical technology. Only three of these projects are concluded.

FINEP's major client, the FAB, received assistance on 17 projects for developing rockets, the Barreira do Inferno launching pads, aircraft engines, adaptation of the Bandeirante aircraft for search and rescue, dirigible balloons and computers. Also included was the "Piranha" project, which received 29,258,000 cruzeiros and is concluded, although production--according to aeronautics sources--is halted to restrict expenditures. The Piranha will be the first domestically designed and built missile.

The most expensive project of the FAB was for rocket development, still underway in the CTAC [expansion unknown]: 1,501,507,000 cruzeiros. The most expensive project for the Army, likewise still in progress, is that of the pilot plant for molded propellants of IMBEL (Ordnance Industry): 216,011,000 cruzeiros. The most expensive Navy project is "Cabo Frio," likewise in progress at the Maritime Research Institute: 456,407,000 cruzeiros. This Cabo Frio project is devoted to development of fish breeding. Among the enterprises that received FINEP financing in projects of military interest, EMBRAER [Brazilian Aeronautics Company] in Sao Jose dos Campos received aid for two projects totaling 272,215,000 cruzeiros. The FAB still has projects for at least 650 million cruzeiros that will be applied to domestic aircraft of military interest, as well as 50 million cruzeiros for missile-launching sites.

#### Funding for 1970 through 1980

Aid to research programs and projects given by FINEP directly to agencies of the various armed forces (in thousands of cruzeiros at January 1980 prices), for the 1970-80 period:

SETORES (1)	(2) Marinha	(3) Exercito	(4) Aeronautica	Total
I. ATIVIDADES ESPACIAIS	93.844	465.922	1.702.905	2.262.671
II. RECURSOS DO MAR	487.088	—	—	487.088
III. FONTES ALTERNATIVAS DE ENERGIA	13.931	—	9.852	23.783
IV. TECNOLOGIA INDUSTRIAL	44.612	29.612	163.900	238.124
V. TRANSPORTES	15.063	—	804.612	819.675
VI. INFORMATICA	143.833	40.000	129.536	313.369
VII. DESENVOLVIMENTO CIENTIFICO E FORMACAO DE PESSOAL	21.683	560.633	184.463	766.779
TOTAL GERAL (5)	82.094	1.096.167	2.995.267	4.911.489

1. Sectors	I Space Activities
2. Navy	II Sea Resources
3. Army	III Alternative Energy Sources
4. Air Force	IV Industrial Technology
5. Grand Total	V Transportation
	VI Intelligence
	VII Scientific Development and Personnel Training

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## FINEP REDUCES FUNDING FOR SCIENCE, TECHNOLOGY RESEARCH

Rio de Janeiro O GLOBO in Portuguese 24 Dec 80 p 14

[Text] The 8.8 billion cruzeiros allotted the Scientific and Technological Development Fund for 1981 by the Funding Authority for Studies and Projects (FINEP) represents a nominal increase of about 80 percent and a real reduction of at least 30 percent in relation to the 1980 budget, adjusted for this year's inflation. This conclusion is derived from data furnished yesterday by the president of the National Scientific and Technological Development Council (CNPq), Lyncaldo de Albuquerque, and FINEP directors at a discussion with about 60 representatives of associations for researchers and education and research entities at the COPPE [Coordination of Post-graduate Programs in Engineering] Technology Center auditorium.

During the discussion, the CNPq president revealed that his agency is trying to work out with state enterprises a revision of technology imports made until now "in order to reduce some items and eliminate others." He said autonomous technological development in areas such as mining is "in the national interest." And he noted that state enterprises account for 60 percent of technology imports in Brazil.

## Budget

During the discussion with scientists and researchers--including Enio Candotti, regional secretary of the Brazilian Society for the Advancement of Science [SBPC]; Luiz Pinguelli Rosa, president of the Brazilian Physics Society; and economist Pedro Ualan, director of the Rio de Janeiro Institute of Economists--the major topics were the shortage of funds for institutions of scientific and technological research and scientific policy.

Physicist Luiz Pinguelli Rosa reminded the meeting's participants that they were discussing a wholesale lack of funds at the same time that huge projects such as the nuclear program are absorbing hundreds of billions of cruzeiros annually.

After the meeting, the SBPC regional secretary, Enio Candotti, said the discussion was "very important as a first approach between the entities representing scientists and researchers that have become strengthened in recent years and the CNPq." He criticized the directive expressed by the president of the council "in terms of seeking very quick results for research and development activities funded by the government, whereas it is often impossible to obtain such results in the short run."

The Rio de Janeiro regional secretary of the SBPC stressed that throughout the whole discussion there remained "a very serious concern of the participants in regard to continuity of various programs and projects already underway."

## IRON, STEEL PRODUCTION EXPECTED TO RISE 7.2 PERCENT IN 1981

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Dec 80 p 23

[Text] Brasilia--Brazilian iron and steel production in 1981 should be 16.4 million tons, which will represent an increase of 7.2 percent over this year's production, and consumption will rise 8.7 percent to 16.6 million tons, according to the forecast of the National Nonferrous Metals and Steel Council (CONSIDER) submitted yesterday by its executive secretary, Aloisio Marins.

Next year 692,000 tons of iron and steel products are to be exported and 794,000 tons will be imported, resulting in a sectoral trade deficit of \$150 million, according to CONSIDER forecasts. Exports this year are likely to be 1,550,000 tons, worth \$620 million, and imports of 700,000 tons correspond to \$480 million, thus giving a trade surplus of \$140 million.

Lower exports in 1981 will result from shutting down the blast furnaces of the Sao Paulo Iron and Steel Company (COSIPA) and USIMINAS [Minas Gerais Iron and Steel Mills, Inc]. Were it not for the shutdown, production would be greater and there would be an exportable surplus.

In reporting on results for the iron and steel sector in 1980 and its prospects for 1981, Aloisio Marins said priority will continue to be given to meeting the needs of the domestic market and, to the extent possible, generating an exportable surplus to offset the necessary imports.

Aloisio Marins stressed the need for better utilization of existing industrial units through technological development and advocated use of domestic energy sources such as charcoal. According to him, the Plan for Rationalizing Use of Fuel Oil in the iron and steel sector this year was fully complied with, as consumption was reduced by more than 15 percent.

Beginning in 1981, however, reducing consumption of fuel oil will depend upon definition of new energy sources, essentially coal, and also upon the investment funds needed to convert industrial units for replacing this petroleum derivative. Marins explained that practically everything possible has now been done in terms of reducing consumption without greater adaptation of equipment.

The CONSIDER executive secretary said that from now on new facilities in the iron and steel sector will be confined to what does not jeopardize conclusion of projects already under way, such as those of ACOMINAS [Minas Gerais Steel Company] and

Tubarao and expansion of COSIPA, USIMINAS and the National Iron and Steel Company, among others. Concluding these projects, according to Marins, is essential, inasmuch as 25 to 30 percent more investment (about \$5 billion to \$6 billion) will make possible an increase in iron and steel production from the current 15 million tons to 25 million tons annually by 1985.

Marins also said that the future expansion of the Brazilian iron and steel industry, after conclusion of existing projects and expansion plans, should be based upon smaller projects that take into consideration factors such as technology more appropriate for Brazil, domestic energy sources and industrial decentralization. This decentralization will come about in the process of carrying out smaller projects capable of meeting regional consumption needs.

#### Nonferrous Metals

Production of primary aluminum this year should be 260,000 tons, representing an increase of 9 percent over 1979, and secondary aluminum production of 47,000 tons will represent an 8.9 percent increase. Consumption of primary aluminum will be 390,000 tons, or 4 percent more than in 1979. The CONSIDER forecast is that 1981 primary aluminum production will remain at 260,000 tons and that of secondary aluminum will be 48,000, compared to primary consumption of 420,000 tons.

Other production estimates for this year are for 48,000 tons of primary lead and 50,000 tons of secondary lead; 10,500 tons of tin; 82,000 tons of primary and 18,000 tons of secondary zinc; 3,000 tons of nickel; and 60,000 tons of secondary copper. Consumption this year will be 265,000 tons of copper; 98,500 tons of lead; 150,700 tons of zinc; 11,200 tons of nickel; and 5,800 tons of tin. Consumption of these products in 1981 is forecast at 294,000 tons of copper; 112,000 tons of lead; 162,000 tons of zinc; 15,500 tons of nickel; and 6,200 tons of tin.

The CONSIDER estimate is that the nonferrous metals sector trade balance this year will show exports of \$148 million (35 percent more than in 1979) and imports of \$755 million (24.2 percent more) of which \$665 million are copper and aluminum. Exports of \$115 million and imports of \$875 million--of which \$770 million will be copper and aluminum--are forecast for 1981.

Aloisio Marins believes that, with the new projects and expansions that will be completed, Brazilian aluminum production in 1985 will be between 500,000 and 600,000 tons annually, which would balance supply and demand in the domestic market. This will require between \$1 billion and \$1.2 billion in new investments by 1985. Between 400,000 and 450,000 tons of copper will probably be consumed in 1985, which will not be covered by domestic production.

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## STATUS, PROSPECTS OF NONFERROUS METALS REPORTED

Rio de Janeiro MINERACAO METALURGICA in Portuguese Sep 80, No 422 pp 34-41

[Lecture by Yvan Barretto de Carvalho, director general of the National Department of Mineral Production (DNPM) at the Third National Symposium on Nonferrous Metals 11 September in Belo Horizonte: "Panorama of Brazilian Nonferrous Metals: Current Status and Prospects"]

[Text] Introduction

The current Brazilian mining-metallurgical picture is still posing a great challenge to the government and private enterprise in the attempts to complement each other and overcome the difficulties which make national mineral production rudimentary.

The balance sheet of primary mineral resources in ferrous metals shows a surplus in Brazil in which iron ore leads with a surplus of more than 80 percent of production, which makes it responsible for more than 75 percent of mineral exports and nearly 10 percent of total Brazilian exports.

On the other hand, the geological picture of nonferrous mineral resources, as far as the present knowledge of our subsoil is concerned, shows a strong contrast, very encouraging for some minerals and highly deficient for others and thus responsible for our great dependence on foreign subsoil, which imposes a great imbalance on Brazil's trade balance.

While in a way the present situation harms the country because of the degree of dependence of Brazilian industry on nonferrous metals and because of the knowledge that without their development a calm or self-sustaining economic development cannot be assured for the country, in another way we recognize that such dependence can be fleeting and may be overcome after we are able to acquire a better geological knowledge of Brazilian subsoil.

If to such a disturbing situation we add the fact that our imports no longer allow great reductions without causing a compression in the economic growth rate of the country, we will have to conclude that immediate action is necessary for a greater utilization of known reserves at a level compatible with our needs and as an incentive to an increase in our exports aimed at attaining our trade balance. It can no longer be explained why ores or metals, whose raw materials exist unexploited in the country, are included in the list of imports. Greater efforts must be made in mining activity in that respect.

## The Situation of Nonferrous Metals

Much has been done in terms compatible with available resources but much more must be done in order for us to offer conclusions on our true mineral possibilities. After all, the continental dimensions of the country, while presenting difficulties to a more rapid geological knowledge, on one hand, on the other offers us countless possibilities for becoming an adequate producer of nonferrous metals in the medium term, something which is not the case of the majority of developing nations, which like Brazil have economic deficits in their balance of trade.

According to the classification by Alan Bateman, nonferrous metals are defined as being copper, aluminum, zinc, lead and tin, such classification deriving from the physical properties of those metals, which do not allow the production of alloys with iron.

In the study we shall now make on each mineral resource, we may see that even in the present state of knowledge of the Brazilian subsoil it would not be amiss to register a certain optimism on our mineral possibilities with respect to nonferrous metals, particularly those which contribute the most to the imbalance in our trade exchange.

In the geological study of the areas containing each mineral, the DNPM classified them as having high, medium and low prospects and in that way it tried to determine resources in terms of geological reserves so that in a comparison with defined reserves (which include measured, indicated and possible reserves) it could determine the degree of work already done and to be done in the search for new deposits of the metals concerned.

Thus, in aluminum ores, resources are truly extraordinary. Of the 8.5 million square kilometers of national territory, only 2.2 million square kilometers do not have the prospect of containing any bauxite.

The areas considered as having a high possibility cover the regions of the Amazon Region "plateaus" and the alkaline regions of the south, east and center-west of Brazil, while the areas of medium possibilities cover all the Amazon Region and the dense forests of the south, including the coastal zone. The regions with low possibilities are limited to the areas where the dense forests thin out into open forests.

The geological reserves determined in this way add up to a potential  $15,263 \times 10^6$  tons of ore, of which only close to 17 percent or  $2,532 \times 10^6$  have been defined up to now.

As far as lead ore is concerned, the areas of high possibilities are apparently the same as those for zinc, predominantly in the areas of pre-Cambrian rock, there being a few exceptions, however. Geological reserves are nearly  $35,992 \times 10^3$  tons and defined reserves,  $20,925 \times 10^3$  tons, which represent nearly 60 percent of the geological reserves.



**RESERVAS BRASILEIRAS DE MINÉRIOS E METAIS CONTIDOS  
DOS NÃO FERROSOS — 1979**

Quadro I

(1) em 1.000 t

(2) MINÉRIO DE:	(3) RESERVAS GEOLÓGICAS	(4) CONTIDO METAL	(5) RESERVAS* DEFINIDAS	(6) METAL CONTIDO	(7) MINÉRIO RD/RG %
COBRE (8)	1.439.360	10.792	416.422	6.246	29
CHUMBO (9)	35.992	641	20.925	1.235	58
ZINCO (10)	45.600	5.504	24.478	1.958	54
ESTANHO (11)	82.120	217	147	87	—
ALUMÍNIO (12)	15.263.000	7.606.000	2.532.144	1.266.072	16

Fontes: DNPM (13)

(14) Recursos e Reservas dos Principais Minerais/1979 J. C. e Silva/CPRM

\*Reservas Definidas = Reservas Medidas + Reservas Indicadas + Reservas Inferidas.

Chart I. Brazilian Reserves of Ores and Nonferrous Metals Contained in Them--1979

Key:

- |                        |  |
|------------------------|--|
| 1. In 1,000 tons       | 8. Copper  |
| 2. Ore                 | 9. Lead  |
| 3. Geological reserves | 10. Zinc   |
| 4. Metal content       | 11. Tin  |
| 5. Defined reserves    | 12. Aluminum   |
| 6. Metal content       | 13. Source: DNPM   |
| 7. Ore RD/RG %         | 14. Resources and Reserves of Principal<br>Minerals--1979 J.C. and Silva/CPRM      |
|                        | * Defined Reserves = Measured reserves +<br>indicated reserves + possible reserves |

In copper ore, the areas with possibilities are very restricted, but the areas considered as having high possibilities should reach nearly 72,000 square kilometers, while areas indicated as having medium possibilities reach 235,000 square kilometers. These areas are associated with the ultrabasic strata of the mid and lower pre-Cambrian in the Curaca River Valley in Bahia, with the phyllites in outcroppings in the Vicososa area of Ceara, the conglomerates and arenites of Camaqua in Rio Grande do Sul; the Iriri formation in Goias, and, finally, with the volcanic-sedimentary rocks associated with the schists of the Carajas complex in Para. With medium possibilities we have the ultrabasics of the Cabeceira Valley in the western part of Mato Grosso, the copper-bearing areas of Ribeira Valley in Parana, and the intrusive rocks of the Jaibaras Group in the north-eastern part of Ceara.



As far as high-possibility areas with defined deposits are concerned, continuous work has increased reserves and indicated new deposits; there is a lack of any great prospecting activity in the areas of medium possibilities; in those areas, geological reserves of copper ore reach a total of a little more than  $1,439 \times 10^6$  while defined reserves reach  $416,422 \times 10^3$  or 29 percent of [geological] reserves.

In tin ore, the areas of high possibilities cover nearly 2,250,000 square kilometers, located predominantly in the Amazon Region in Rondonia, also extending to the Territory of Roraima, Mato Grosso, Para and Goias. Some deposits of commercial interest were also found in Amapa. In addition to that province, deposits of cassiterite are known in Rio Grande do Sul, Bahia, Minas Gerais and Paraiba. It is believed that present defined reserves already exceed double those officially announced.

In zinc ore, the areas of high possibility cover the metasediments associated with general limestone aspects of the Bambui Group, which cover parts of the states of Minas Gerais, Bahia, Mato Grosso and Ceara, the Bodoquena Group in Mato Grosso do Sul, Serra do Espinhaco in Bahia and the Sao Roque Formation in the Ribeira Valley on the borders of the states of Sao Paulo and Parana.

Geological reserves of zinc ores reach nearly  $45,600 \times 10^3$  tons compared to  $24,478 \times 10^3$  tons of defined reserves, which leads us to conclude that only 54 percent of the geological reserves are known.

In the decade of the 70's, nonferrous metal ores produced in the country increased at an average rate of 18 percent per year, a satisfactory rate but still modest in view of the needs to satisfy the domestic market and exports. However, that growth is not accomplished in a balanced way. While the observed growth rate was 2 percent in 1976, in 1979 there was an enormous growth, almost 56 percent, with respect to the previous year.

In 1977, the production of bauxite showed a growth of 35 percent. In 1979, with the entry into production of the Rio do Norte Mine, the rate of growth was even more impressive, reaching 54 percent.

With respect to lead concentrate, production was revealed to be deficient in providing supplies to the national metallurgical mills, it being necessary to import complementary supplies. Production, however, after reaching a maximum in 1972, began to decline until 1977 and then arrived at 1979 with a growth rate of only 3 percent. We believe that production can be improved with measures the DNPM intended to adopt with the producer in that year.

Among the nonferrous metal ores, copper presents the most critical situation. Up to 1975 we produced concentrate in the Camaqua mines, which allowed us to have a production of 1,300 tons of metal to provide for nearly one percent of the national consumption of that period. As of that time, all copper produced in this country has been produced from scrap.

With respect to tin concentrates production, after a slight decline as a result of the closing of the Rondônia fields in 1970, when it reached a low point, it was only possible to reestablish 1970 levels in 1975. As of that time, production began to show an average annual growth of 8 percent. Producers believe that production this year could register a growth of more than 20 percent.

Supplies of zinc concentrates encountered no major difficulties throughout the entire period, making a surplus possible for the country. It recorded the greatest increase of 79 percent in 1979.

Mineral ore exports in the period 1970-1979 totalled \$21,879,000, while imports required expenditures of \$274,330,000, which resulted in a negative balance of \$252,451,000, the equivalent of 11.5 times the amount exported. Note that 60 percent of the expenditures in imports was for the purchase of tin concentrates and nearly 35 percent for lead concentrates.

Generally, nonferrous metal (primary and secondary metal) production showed a continuous growth. All presented positive rates in production volumes. The increase in aluminum, zinc and tin production reflects the good work done by the industries installed in the country.

In a summarized individual study of each mineral resource presented, we can offer the following:

#### Aluminum

Brazil now occupies the third place in the world in terms of bauxite reserves, surpassed only by Guinea-Bissau and Australia.

The rapid expansion in the use of aluminum in industrial sectors has led to its growing use as a substitute for iron, zinc and copper because of its many uses.

Aluminum is not known in a natural state, being extracted from some ores, of which bauxite (aluminum hydroxide) and gypsite (a variety of aluminum hydroxide) are the principal sources, the presence of both in our subsoil having been detected a long time ago. In their hurry to produce aluminum, fearing the creation of a cartel, some of the great international consumers have been trying to make its production from clays practical, without any positive results, however.

The areas of the largest deposits are located in the "plateaus" of the Amazon Basin in the region of Paragominas, Oximina, Jatapu and Trombetas, which have the largest mineral reserves on the South American Continent. There are also deposits in the Pocos de Caldas Plateau and surrounding areas in the state of Minas Gerais, even reaching the state of Sao Paulo, Lages in Santa Catarina State, and Muqui, in Espirito Santo State.

PRODUÇÃO BRASILEIRA DE MINÉRIO CONCENTRADO DOS METAIS NÃO FERROSOS — 1970/1979											
(1) Quadro II						(2) Em 1.000 t					
DISCRIMINAÇÃO (3)	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	TOTAL
ALUMÍNIO (1) Concentrado (4)	509,8	568,4	764,9	849,2	888,4	968,9	988,4	1.352,1	1.481,1	2.180,0	10.428,8
CHUMBO (2) Concentrado (5)	41,4	47,2	48,1	40,8	36,7	38,9	33,2	20,9	31,1	35,9	386,0
COBRE (3) Concentrado (6)	10,8	14,0	12,5	9,5	8,8	8,4	—	—	—	—	61,0
ESTANHO (4) Concentrado (7)	5,8	3,5	4,3	5,5	5,4	6,9	8,7	9,8	18,8	11,7	71,8
ZINCO (5) Concentrado (8)	24,0	24,3	44,8	85,9	145,9	173,8	183,2	205,7	209,7	375,9	1.481,0
Fontes: DNPM-CONSIDER (1) Teor médio de 50% de Al O (2) Teor médio variável de 43% a 68% de Pb contido (3) Teor médio de 30% de Cu (4) Teor médio de 80% de Sn (5) Teor médio de 28% de Zn											
(9)											

Chart II. Brazilian Production of Nonferrous Ore Concentrates--1970-1979

Key:

- |                             |  |
|-----------------------------|--|
| 1. Chart II                 | 6. Copper concentrate (3)  |
| 2. In 1,000 tons            | 7. Tin concentrate (4)   |
| 3. Metal                    | 8. Zinc concentrate (5)  |
| 4. Aluminum concentrate (1) | 9. Source: DNPM-CONSIDER [National Non-ferrous Metals and Steel Council] |
| 5. Lead concentrate (2)     |  |
- (1) Average content of 50 percent Aluminum  
 (2) Average content varies from 43 to 68 percent lead.  
 (3) Average content of 30 percent copper.  
 (4) Average content of 60 percent tin.  
 (5) Average content of 28 percent zinc.

The present extraction of that ore is concentrated in Minas Gerais and Para, where in the first half of this year alone, 1.9 million tons were produced for export. With the exception of the amount exported, all bauxite produced in the country is being used for the production of alumina and subsequently transformed into aluminum metal.

The continuous growth of the aluminum industry in Brazil has allowed a growing demand for bauxite in the 1970-79 period, with an average growth rate of 14 percent per year, a low rate if we take into consideration the size of national bauxite reserves, our electrical energy potential and the dependence on alumina and aluminum metal imports.

Lead

Of the defined, already reported ore reserves, of which 72 percent are classified as "measured," and which have a 314,000-ton metal content, the state of Minas Gerais has nearly 64 percent of the total, the rest being distributed among the states of Bahia (Boquira Mine), Parana (Panelas-Adrianopolis Mine) and Sao Paulo (Iporanga).

The only deposits exploited in the country, which are in an advanced state of exhaustion, are the mines of Boquira in Bahia and Adrianopolis in Parana.

Brazil has a production of concentrates which cover 46 percent of its needs.

In 1974, 54 percent of those needs for lead concentrate were filled by imports, primarily from the United States (35 percent), Greenland (26 percent) and Canada (20 percent).

#### Copper

The municipality of Mara Rosa in the state of Goias, had nearly 49 percent of Brazilian reserves in 1979, with the rest distributed between the states of Bahia (38 percent) and Rio Grande do Sul (8 percent). Of these reserves, 329 million tons are measured and present the equivalent of 2.4 million tons of metal content.

In addition to already-known reserves, the copper deposits discovered in the state of Para in the Serra dos Carajas region by the DNPM are worthy of note. Preliminary results of prospecting studies underway indicate the presence of reserves of considerable size on the order of 1.5 billion tons of ore assaying at from .5 to 1 percent, which makes them an important source of concentrate to insure the supply for the metallurgical plants under installation.

In 1975, the country produced nearly 1,300 tons per year of primary copper from domestic concentrates, which represented less than 1 percent of domestic demand. Seventy-seven percent of our needs in copper were supplied by imports in 1975. Chile continues to be our prime supplier, with 60 percent of the total in 1979, followed by Peru with 17 percent and the United States with 7 percent.

#### Tin

National reserves total nearly 147,440 tons, counting measured, indicated and possible reserves. This total is probably underestimated. It would not be an error to consider them almost double that amount.

#### The Tin-Producing Province of Rondonia

The Federal Territory of Rondonia, the southern part of Amazonas and the north-western part of Mato Grosso have 70 percent of all the measured cassiterite reserves (a remote and wild region responsible, however, for 75 percent of national cassiterite production). In the other regions such as Para and Goias, where prospectors went who were prevented from working in the aforementioned "province," production is limited basically to individual claims.

Due to the atypical nature of the tin industry--capital intensive in mining and of relative demand for capital in reduction/refining--the country has a nominal installed capacity of double present production. That is why in 1979 36 percent of the metallurgical needs in concentrates were satisfied by means of imports from Bolivia, our greatest supplier (74 percent) and Singapore (26 percent).

The apparent domestic consumption of tin, 5,179 tons, shows the high degree of growth of this product in recent years, with an average annual rate of 11 percent, a growth which is higher than the world average of .4 percent. In exchange, the consumption per capita, however, is very low in the country, only 43 grams in 1979, while in the industrialized countries this indicator reached 300 grams.

Tin metal is the only nonferrous metal in which Brazil is self-sufficient and has an exportable surplus. In 1979, 4,806 tons in unprocessed and semiprocessed metal were exported, primarily to the United States and Argentina. With the measures adopted by the government, devaluations of exchange and placing the Tax On Financial Operations, ISOF, on imports, the importing of tin ore will be more expensive, thus encouraging the intensification of prospecting to increase the size of national reserves.

## Zinc

Nearly 99 percent of Brazilian reserves of zinc ore are concentrated in the state of Minas Gerais in the municipalities of Varzante and Paracatu.

Prominent as potential areas for zinc are the region of Palmeiropolis in the state of Goias, with prospecting being done by the CPRM [Mineral Resources Prospecting Company]; Santa Maria in Rio Grande do Sul, with sulphurated ore now being prospected by the CBC. The region of Ribeira Valley in Para can also be considered as a potential area in view of the results being obtained.

Brazil is not a great zinc producer nor are there any great prospects that it will be one in the short term.

The Companhia Industrial e Mercantil Inga and the Companhia Mineira de Metais produce metal from their own silicated ore concentrates from the mines located at Vazante (MG). A third company, Mineracao Boquira, produces a small amount of zinc sulphate concentrates for export, as a byproduct of its lead extraction operations in Bahia.

The Companhia Paraibuna de Metais, another zinc metal producer, uses concentrates imported from Mexico and Peru in the amount of 60,000 tons per year and it complements its requirements with national concentrates from the Boquira Mine in Bahia.

The apparent consumption of zinc concentrate in the 1970-79 period rose to an average annual rate of 35 percent.

National ore has been sufficient to attend to the domestic needs of the metallurgical industry, however, in terms of metal, despite the fact that national production is providing a larger share of domestic consumption, the country depends on imports of this product.

Brazilian zinc concentrate exports in the 1970-79 period came from the Boquira Mine as a byproduction of lead concentrates. As of 1980 that concentrate began to be purchased by Companhia Paraibuna de Metais and this will probably put an end to Brazilian exports.



## Gold

Given the impact recent finds have made on public opinion, we could not fail to list gold among nonferrous metals.

The lack of reliable statistical figures on production and reserves, and particularly on national consumption, never allowed a realistic analysis on the metal.

In view of the price it has reached on the international market, special attention has been paid to prospecting for it, particularly the work of individual claims, where illegal production and sale is prejudicing its control by the proper agencies.

As of 1979, the DNPM put Projeto Garimpos do Brasil (Brazilian Mining Claims Project) into effect; by means of which it is promoting the registration of the present individual claims with a view to learning amounts of production and the destination of the metal produced.

As far as officially known gold reserves are concerned, they are maintained within laughable limits and are, therefore, unacceptable. There is no knowledge of the figures of the reserves in the prospector claim regions of the Amazon Region, but it is estimated that no fewer than 100 kilograms of gold are being produced every day, since in Serra Pelada and Itaituba alone, the Federal Revenue Service has recorded purchases which average around 60 kilograms per day.

In addition to the industrial undertaking represented by the Morro Velho Mining Company, whose production remains below four tons per year, only the Tejuca Mining Company has recorded some production as a result of its diamond-mining operations in Jequitinhonha, Minas Gerais. No other production has been reported by the mining companies holding mining permits and for that reason the value of national consumption reported by the various responsible agencies is of a merely speculative nature.

## Prospects

The country's needs of concentrated ores for the decade now initiated should reach a total of nearly 53,142,000 tons.

For the minerals from which aluminum, zinc and tin are produced, Brazilian reserves are sufficient for the forecast metallurgical program, while in lead ore, the known domestic reserves are far from meeting the real needs. In copper, the latest discoveries in Para and Goias and the expansion of known mineral reserves in Rio Grande do Sul, encourage us to foresee a less worrisome future in this metal in the medium and long terms. Otherwise, let us see:



**COMÉRCIO EXTERNO NACIONAL DOS MINERAIS  
NÃO FERROSOS 1970/79**

**Quadro III**

US\$ 1,000.00

(1)	(2)	(3)	(4)
ANOS	EXPORTAÇÃO	IMPORTAÇÃO	SALDO
1970	642	80	562
1971	153	2.702	(2.549)
1972	153	7.428	(7.275)
1973	149	12.697	(12.548)
1974	1.992	36.542	(34.550)
1975	2.355	20.561	(18.206)
1976	1.533	14.962	(13.429)
1977	1.102	38.457	(37.355)
1978	682	49.155	(48.473)
1979	13.138	91.726	(78.588)
<b>TOTAL</b>	<b>21.879</b>	<b>274.330</b>	<b>(252.451)</b>

(5) Fontes: CACEX/CIEF.

**Chart III. National Foreign Trade in Nonferrous Minerals 1970-79**

Key:

1. Years
2. Exports
3. Imports
4. Difference
5. Sources: CACEX/CIEF (Foreign Trade Department/Expansion Unknown)

Existing forecasts on aluminum consumption for the decade of the 80's reveal a deficit of the metal, which should be made up through imports or by the installation of new plants. As far as the conditioning factor of mineral resources is concerned, aluminum production may expand widely, depending on the supplies of energy existing and if heavy investments in metallurgy are made, and there may even be the possibility of exporting it as a counterbalance to the deficits in other nonferrous metals such as copper and lead. No fewer than four large projects are being planned, which should operate with Brazilian minerals.

Figures indicate a level of demand on the order of 1,768,000 tons of bauxite in 1980, increasing to 7,035,000 tons in 1989, with an average growth rate of 16 percent.

According to projections, in 1980 we should have an exportable surplus of bauxite concentrate of around three million tons. This figure will only be exceeded in 1984 and as of that year will continue to grow until 1989, when bauxite available for export will be more than 12 million tons.

Present measured lead reserves compared with concentrate production forecasts, would be sufficient to attend to needs projected up to the year 1988. Therefore, considering the hypothesis of total supply of the metallurgical industry with national ore--metallurgical plant needs are now 40-percent supplied by national ore--the useful lifetime of known Brazilian reserves would be 4 to 5 years. These propositions do not take into consideration possible increases resulting from the discovery of new deposits and/or reevaluation of those already known.

Considering that the principal Brazilian mines (Boquira/Panela) are in a stage of exhaustion and that no new deposits have been discovered, prospects for supplying our metallurgical industries with domestic concentrates in the 1980/89 period are somber.

Therefore, based on the statistics for the sector, a dependence on the order of 70 percent is forecast for 1989 with a domestic demand of lead concentrate of around 131,000 tons. This would represent an increase of 5.3 percent per year over supplies, with the dependence confirmed in previous years remaining if no new deposits were found.

Morro Agudo, which found deposits in the area of Paracatu (MG), should contribute to alleviate that shortage somewhat, providing 11,000 tons of ore per year as of 1983.

Prospecting underway reveals the presence of lead, zinc and copper ore, with possible byproducts of silver, cadmium and cobalt in the area called Santa Maria, Municipality of Cocapava do Sul, whose operations by the Brazilian Copper Company preliminarily show mineral resources on the order of 12 million tons with 2.2 percent of zinc + lead.

Brazil will continue to be highly dependent on foreign copper, even when the mills of Carraiba Metais and Eluma, which will be supplied by concentrate produced in the country and imported concentrate, begin operations. Such conclusion does not take into account the possible increases resulting from the discovery of new deposits and/or the reevaluation of those already known. And we cannot ignore the fact that due to its domestic scarcity and its great consumption, copper has been the mineral element most searched for in the country. Some companies are directing the greater part of their programs in that direction.

Taking projects being planned or in progress as a basis, projections for domestic demand foresee an increase in consumption of copper concentrate of about 26 percent per year, which by the end of the period should reach a million tons.

Present measured copper reserves, when compared with the forecasts on concentrates, show they will be enough for taking care of production forecasts during the decade of the 80's, however, the Brazilian copper metallurgical industry is not large enough to fully meet the demand. If it were, the requirements for copper ore would be of such magnitude that if fully met by the present national reserves measured up to the end of 1979, it would mean that those reserves could be exhausted in 1989.

Forecast production of primary copper, if implemented, imposes a growing dependence on foreign sources of concentrate as time passes.

Forecasts for the national demand of copper metal are compatible with the growth rate of 11 percent for the 1981-1989 period. The deficit in national supplies will probably be reduced because of the activities of the Caraiba Metais and Eluma Metais Mines, and before the end of the period, by that of the Salobo Mines of the Carajas complex.

With respect to tin concentrate, a picture of balance between supply and demand is foreseen as of 1983. With a rate of increase in the 1980-89 period registering 9 percent per year, domestic demand will reach 27,000 tons in 1989.

Present national reserves of tin shared by producers are enough to satisfy the concentrate production forecasts for only 5 years, even without taking into account possible increases by the discovery of new deposits and/or the reevaluation of those already known, something which does not have DNPM approval.

However, expectations on the results of prospecting working now being performed in Goias, Para, Rondonia and Roraima, primarily, are optimistic and should reveal not only the true potential of known reserves but also the existence of new tin-bearing areas which will come to change the existing picture.

During the decade of the 80's, we shall have an average annual growth rate of 9 percent and 7.8 percent for supply and demand of tin metal, respectively, that difference providing an increase in surpluses of 11 percent per year.

In zinc, the prospect is that of a change of 6.6 percent per year for the decade of the 80's. It is expected, therefore, that there will be an inversion in the position of surplus with respect to sulphureted ore as of 1981. Under these conditions for 1980, the need for zinc concentrates in the amount of 442,000 tons is indicated, increasing to 788,000 tons in 1989.

At 1979 levels, without taking into account increases due to new finds and/or the reevaluation of reserves, zinc reserves are sufficient for production foreseen for 11 years.

The concentrate supply/demand collation for the 1980/89 period shows the dependence of Paraibuna with respect to imported concentrate. Taking its requirements for the first three years into account, it will import no less than 90 percent, this dependence declining to 50 or 60 percent when the Morro Agudo Mine begins to supply it with concentrate.

Considering the possibilities of expansion of the three zinc plants in operation: Companhia Mercantil Inga, Companhia Mineira de Metais and Companhia Paribuna de Metais, the supply/demand aspect shows a gradual reduction of the deficit in zinc metal up to 1985, when a surplus of 7,000 tons is foreseen. As of 1987, supply once more becomes insufficient due to the deficit in tons reaching a level similar to that foreseen for 1980, 31,000 tons.

With respect to gold producing industrial undertakings, we register the gradual increase in production of Morro Velho Mine, which reports as a goal to be reached in 1985 a total production of around 13 tons of gold per year from its mines. There is also the possibility of work beginning at the Jacobina mines by the same group which manages Morro Velho, whose utilization plan is being submitted to the DNPM. This is in addition to the results already obtained by DOCEGEO [expansion unknown] in Araci and Bahia, which will allow an additional experimental production as of 1981.

Finally, also deserving of mention is the expected secondary gold production from copper concentrate production of the Caraiba Metais Mines in Salvador, the Camqua and Santa Maria Mines in Rio Grande do Sul and the Salobro deposit in Carajas, the latter still in the phase of economic determination.

It is believed that with the registration of the unrecorded claims with the largest production of Medio Tapajos in Para, Parauari and Amana in the upper forests of the Amazon Region, of Mato Grosso and Madeira in the Territory of Rondonia, the country may soon register an official production of private claims of more than the 100 kilograms estimated today.

The DNPM is now studying its own legislation for regulation of individual claims in which the Savings Bank could provide significant amounts of necessary financial support.

#### Conclusion

The activities of Brazilian Mineral Production--PMB in the last decade did not reach the levels which should characterize the long-expected "mineral boom." The fact is that it had an unusual development in the early years, becoming three times greater in 1974 than that recorded at the beginning of the decade. As of that date, even under the effects of the petroleum crisis, it still continued to register growth, although at a declining yearly rate. In this way it had a share in the Domestic Gross Product--which continued to increase--that did not reach two percent, very low with respect to the known mineral potential of the country.

Even with such a low share in 1979, its per capita share reached 806.10 cruzeiros (\$30), six times greater than the share recorded at the beginning of the decade, when it was only 134.35 cruzeiros (\$5.00), despite the fact that the world average, which in 1968 was 76.92 cruzeiros (\$22.65), was only exceeded in 1977.

As can be seen, in real terms Brazilian mineral production has been increasing without reaching desired levels and it is still insufficient for attending to national development.

Being self-sufficient in the majority of ferrous minerals and many other non-metallic minerals, Brazilian Mineral Production still does not fill national needs, making the country dependent on foreign minerals, particularly the non-ferrous. That disturbing dependence makes it possible to forecast that this year the imports of those metals should still reach approximately \$700 million, despite the restrictions which have been imposed. In other words, our present needs will still be more than 60-percent satisfied with foreign raw materials, not to mention needs in energy and fertilizers, which are concerns of a like scope.

NECESSIDADES BRASILEIRAS DE MINÉRIOS CONCENTRADOS DOS METAIS NÃO FERROSOS PROJETADA — 1980/89											
Quadro IV										(1)	Em 1.000 t
MINÉRIO	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	TOTAL
ALUMÍNIO Concentrado (2) (Bauxita)	1 788,0	1 813,0	1 819,0	1 825,0	3 803,0	4 805,0	4 813	4 822,0	5 824,0	7 035,0	38 527,0
CHUMBO Concentrado (3)	84,8	82,3	130,8	130,8	130,8	130,8	130,8	130,8	130,8	130,8	1 223,3
COPRE Concentrado (4)	—	181,0	420,0	524,0	713,0	853,0	874,0	1 049,0	1 049,0	1 049,0	6 892,0
ESTANHO (1) Concentrado (5)	11,8	12,8	14,1	15,5	18,9	18,8	20,3	22,1	24,1	26,4	182,7
ZINCO Concentrado (6)	443,8	479,8	514,0	578,0	654,0	731,0	759,0	782,0	788,0	788,0	6 517,7
Fonte: Balanço Mineral Brasileiro em execução na DEM/DNPM (7)											
(1) Em Sn contido (8)											

Chart IV. Projected Brazilian Needs in Nonferrous Metal Concentrates 1980/89

Key:

1. In 1,000 tons
2. Concentrated Aluminum (Bauxite)
3. Lead Contrate
4. Copper concentrate
5. Tin (1) concentrate
6. Zinc concentrate
7. Source: Brazilian Mineral Balance current in the DEM/DNPM [Minerals Exploration Department/National Department of Mineral Production]
8. (1) In SN content

Due to the rising levels of consumption and the international prices of non-ferrous metals, even accepting a Gross Domestic Product which grows at the rate of 6 or 7 percent per year, there will be a significant drain in the possible differences in our foreign exchange, aggravated even more by the constant increase in the price of petroleum and the financial obligations of our debts.

That is why Brazilian mining, which lacks any great growth, could obtain it in the short term by using presently known reserves which because of a lack of technology or money have not been exploited despite the fact that the domestic and foreign markets offer excellent prospects.

On the other hand, it becomes equally necessary to encourage the vertical development of the Brazilian mining sector since its major contributions to the trade balance are those resulting from finished or transformed products, many of which use the raw materials already produced or found in the country with significant reserves.

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CSO: 3001



## INDUSTRIAL PERFORMANCE OF NORTHEAST WORSENS IN 1980

Rio de Janeiro JORNAL DO BRASIL in Portuguese 22 Dec 80 p 13

[Text] Recife--Growth of the Northeast industrial sector this year was 3 percent, revealing a sharp drop compared to the previous year, when industrial performance was considered satisfactory, with a 6 percent growth rate. "We may already be in the midst of recession as, according to the data available to us, the region's population is growing at 2.7 percent, while output (industry 3 percent and agriculture 6 percent) is growing less than is population," said Antonio Carlos Brito Maciel, president of the Pernambuco Federation of Industries.

The 50 percent limitation on credit expansion for next year may jeopardize the whole incipient industrial network of the Northeast, according to leaders of industrial federations and entrepreneurs of the region. "We have not received preferential treatment but instead a discriminatory policy which has been increasing income inequality among Brazilian regions and creating a serious social problem."

According to Mr Antonio Carlos Maciel, in the two open accounts--exports and agriculture--the Northeast has less than a 20 percent share; hence the region will not be able to grow next year.

"Decontrol of interest rates will be a disaster because it will affect business costs and, as a firm's profitability is affected by financial costs, a business without working capital will have to shut down," said Agostinho Veloso da Silveira, president of the Paraiba Federation of Industries.

"We have the children mistreated by the stepmother," asserts Candido Braga, president of the Bahia Federation of Commerce. "We are experiencing here an accentuation of the Brazilian crisis and the federal government must be more concerned about the Northeast, which is always shoved aside, whereas the problem, although difficult to solve, is not insoluble."

The depressive results of economic policy in the Northeast reduced the operating capacity of the region's industries; hence, in 1981 the situation will be much worse than in 1980. This is the opinion of Jose Flavio Costa Lima, president of the Ceara State Federation of Industries. "Although we are the executors of economic policy, we cannot continue speaking with an unheeding authority that did not change its directives after many complaints from businessmen."



**BRASPETRO YIELDS PROFIT OF \$340 MILLION IN 8 YEARS**

Rio de Janeiro JORNAL DO BRAZIL in Portuguese 28 Dec 80 p 18

[Text] BRASPETRO (PETROBRAS [Brazilian Petroleum Corporation] International, Inc) has invested about \$400 million in petroleum prospecting, exploration, development and production abroad since it was created in April 1972. During this period it had revenues of \$740 million, which brought it a profit of \$340 million.

But for Joel Mendes Renno, vice president of the company, the most important thing is not the profit shown by this PETROBRAS subsidiary but the fact that BRASPETRO had guaranteed oil supplies for Brazil, which is one of its major purposes other than discovering oil abroad.

**Operations**

Of the 7 countries where BRASPETRO is now operating, 5 supply oil to Brazil, representing over 63 percent of the 750,000 barrels a day that Mines and Energy Minister Cesar Cals says will be imported in 1981. Of these five countries, Angola (7,000 barrels a day), Algeria (20,000 barrels a day), China (20,000 barrels a day), Libya (30,000 barrels a day) and Iraq (400,000 barrels a day), only the last-named has its supply temporarily interrupted, due to the conflict with Iran.

BRASPETRO also operates in Guatemala and Trinidad and Tobago, but in all of these countries, according to Mr Renno, the company produces petroleum only in Angola and Algeria. In the others it is developing its discoveries as is being done in Iraq, where the Brazilian state enterprise discovered a supergigantic field and another gigantic one, or is in an exploratory phase either independently or in consort with other foreign countries.

This year BRASPETRO began exploratory prospecting in Guatemala, Algeria, Angola and Libya, involving an area of 34,000 square kilometers. In China, associated with Elf, British Petroleum, Esso and Texaco, the Brazilian company is making surveys and interpreting seismographic data in an area of 400,000 square kilometers and in Trinidad and Tobago it is providing technical assistance for the Trinidad and Tobago Oil Company (TRINTOC).

**Profits**

According to Joel Mendes Renno, the company's strategy for next year is to substantially increase its petroleum exploration areas, especially on the west coast of

Africa and in South America, mainly in Ecuador, Peru and Argentina, where next month PETROBRAS specialists will be discussing exploration arrangements with Argentine authorities.

The net profit of \$340 million arises mainly from the negotiations involving the Majnoon and Nahr fields in Iraq, where BRASPETRO gave up its contractual rights in development and production of these fields through its services rendered and is compensated in exchange with petroleum and a supply contract for 160,000 barrels a day at official prices.

In the transaction involving the oil fields, PETROBRAS received a parcel of 20,750,000 barrels of petroleum as compensation for the discovery, worth \$166 million; another parcel of 11,250,000 barrels, worth \$305 million, as payment for investments during 7 years; and the difference of \$5 per barrel in the purchase of 160,000 barrels a day during the year, had the latter volume been bought on the international market, amounting to \$216 million. It also charged \$3 million for technical assistance to state enterprises in Iraq and Trinidad and Tobago.

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CSO: 3001

## ESTIMATES RELEASED ON 1979-1980 AGRICULTURAL PRODUCTION

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Dec 80 p 26

[Text] The value of agricultural production in the Center-South region for the 1979-80 crop year was about 1 trillion cruzeiros, representing an increase of 100.8 percent in nominal terms over the previous crop year. But real growth was only 2.7 percent. The physical volume, the quantity produced in 1979-80, increased 12.7 percent over the preceding crop year, "not constituting a superharvest as reported, but undoubtedly representing a significant recovery in terms of the results recorded during the decade." In reporting these data yesterday, analysts of the Institute for Agricultural Economics [IEA] of the Sao Paulo State Secretariat for Agriculture and Supply also said that sugarcane became the "lead car" of Sao Paulo agriculture. This product, which until 1978-79 was in third place among merchandise contributing to the state's gross revenues--following beef and coffee--is now in the lead.

## Coffee and Prices

The best physical performance of the recent crop year was in the South region, with a 26.6 percent increase, and in the Center-West, with an increase of 13.4 percent. The physical output of the Southeast region showed an increase of only 2 percent, due mainly to the poor performance of the coffee crop, analysts said. They also attributed the crop's poor financial performance to deterioration of prices for agricultural goods paid to the producer.

They added that the real rates of increase are quite nonuniform among the regions and the states, as in those where coffee and cotton are most representative the value was reduced. The gains were most significant in Santa Catarina and Mato Grosso do Sul--25 percent and 12.6 percent respectively.

Also according to the IEA technicians, there was a 5.9 percent decrease in real terms in the Southeast region, whose gross value of production was 476 billion cruzeiros. Real growth was 12.6 percent in the South region, with a gross value of 437 billion cruzeiros and 6.8 percent in the Center-West, with a gross production value of 133 billion cruzeiros.

## Leadership

In the Center-South as a whole, the most important products in gross production value are the following: beef (15.9 percent), soybeans (11.8 percent), corn (9.9 percent), coffee (9.7 percent), rice (8.9 percent), milk (7.8 percent), sugarcane

(7.7 percent), poultry and eggs (6.9 percent) and wheat (3.4 percent). In total, they represent 82 percent of the value created by regional agricultural production. The state of Sao Paulo continued to lead agricultural production in the Center-South in terms of value, contributing 25.4 percent during the 1979-80 crop year. The contributions of the other states were: Parana, 19.2 percent; Rio Grande do Sul, 15.3 percent; Minas Gerais, 14.2 percent; Santa Catarina, 7.3 percent; Mato Grosso and Mato Grosso do Sul, 6.9 percent; Goias, 5.8 percent; Rio de Janeiro, 3 percent; and Espirito Santo, 2.9 percent.

#### Next Crop Year

In commenting on the performance of the 1980-81 crop year, based upon a survey of planting intentions, the technicians said that "continuation of the priority to agriculture is taking new shape, with the first surveys indicating expansion of the planted area...which, however, cannot be translated into an increase of production, due to less use of inputs and, of course, to climatic conditions."

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CSO: 3001

## BISHOP DEFENDS ARMED STRUGGLE IN ABSENCE OF ALTERNATIVES

Rio de Janeiro JORNAL DO BRASIL in Portuguese 4 Jan 81 p 3

[Letter distributed in Maceio by Dom Valdir Calheiros, bishop of Volta Redonda, before returning to Rio de Janeiro on 2 January, clarifying statements he had made in a previously published interview]

[Text] Maceio--In a letter distributed in this state capital before returning to Rio de Janeiro, Bishop Dom Valdir Calheiros of Volta Redonda confirmed the interview he granted last Wednesday to the TRIBUNA DE ALAGOAS, in which he supported socialism, criticized capitalism and communism, commended the PT [Workers Party] and said he accepted armed struggle "when there is no other alternative for oppressed peoples to liberate themselves."

In the interview published by the Alagoas newspaper, the bishop also asserted that "the Christians of Nicaragua showed how one should act in freeing a nation" and explained that armed struggle "to overthrow regimes that oppress the people" is even defended in the Populorum Progressio encyclical of Pope Paul VI.

## The Letter

Mr Director:

I read the report about me published in yesterday's (1 January 1981) TRIBUNA DE ALAGOAS. I should like to clarify in writing the reasons behind some of the positions taken on subjects that were brought up. Let us see:

Socialism. What is suggested as an alternative to capitalism is socialism. Capitalism has really failed as a solution. It is a dead issue. After so many years, it has not been able to overcome hunger, poverty and marginalization. Its objective centered on profit condemns it to being incapable of solving the social problem.

On the other hand, neither do the ostensibly socialist models embodied in various existing communist systems successfully socialize having, being, knowing and governing. These are concentrated in a privileged minority, marginalizing the majority that does not participate in anything. What they managed to do was to transform liberal capitalism into state capitalism. And as the saying goes: they're both the same to me and I don't want either one.

If capitalism was incapable of creating a basis for a more just, humane and fraternal society, the hope is that the alternative, which is socialism, will present a model that socializes being, knowing, having and governing. The challenge to socialism is to be a real alternative.

Workers Party. We know that many use the name of the workers to create their parties. By means of party names that include workers and labor they are elected to Congress and even to the presidency of the republic, and once there they only seek to defend their own interests and maintain the status quo and do nothing for those who have given the party its name. The workers are just a springboard. I feel that today the workers no longer accept being treated as minors and incompetents.

That is why it is important for the workers themselves to have their own political party, created and directed by themselves. What we do not accept is this status of protected minors they want to give the workers, as if they were incapable of participating directly in politics, within a class society in defense of their class interests.

We advocate creation of the PT as a natural place where the worker should advance his interests. This does not exclude those who are not workers, and who clearly are at their side and with their cause, from also being members of the Workers Party.

Therefore, I am in favor of the workers having their own party.

The Problem of Violence. Pope Paul VI, in the *Populorum Progressio*, speaks clearly: "There is a great temptation to repel by violence such injustices to human dignity. However, it is known that revolutionary insurrection--except in case of clear and prolonged tyranny that seriously offends the fundamental rights of the human person and endangers the common good of the nation--results in new injustices, introduces new imbalances and creates new errors."

It was based on this principle of the encyclical that Dom Arturo, successor to Dom Romero in El Salvador, declared recently that the situation of tyranny in his country justifies the use of force to free them. But we do not deny that generally the use of force leads to a new tyranny being established.

We recently saw Nicaragua use force in order to free itself from the prolonged tyranny of the Somozas. Christians also participated in this liberation. It is true that after taking power they did not use the violence of the "paredon," as in Cuba. The challenge they face is how the system they want to consolidate will guarantee participation by all in being, having, knowing and governing. In this task the Christians, in searching for their own solution, must be sure that it is not a copy of either the capitalist system or the communist system.

These are some points I should have liked to state more clearly in the published interview in order to prevent misunderstanding of my ideas, which cannot always be done in the rapid note-taking of a reporter.



## BRIEFS

**STUDENTS ARRESTED**--Students Carlos Eduardo Goncalves Machado, 21, Mauricio Perez Panack, 19, and Carlos Fernando Ziguele de Sauvo Souza, 21, were arrested by a Military Police patrol as they were handing out pamphlets inviting the public to participate in the 83d birthday celebration for Luis Carlos Prestes to be held in a local club. The arrest took place at the corner of Senador Furtado and Mariz de Barros streets and the students, who were in a white Brasilia, were taken to the 18th Police Precinct in Praca da Bandeira, where they were questioned and turned over to the Department of Political and Social Police. The next morning, after rendering testimony, they were freed by Commissioner Artur Brito Pereira. [Text] [Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Dec 80 p 7] 8834

**MISSILE BASE AT FLORIANOPOLIS**--Porto Alegre--Air Force Minister Delio Jardim de Mattos announced yesterday that the Search and Rescue Squadron will be transferred from Florianopolis (SC [Santa Catarina]) to Campo Grande (MS [Mato Grosso do Sul]), as most of its missions are in the Amazon region and the service will thus be based at a closer point, making its activity more economical. The air minister asserted, however, that the Florianopolis Air Base will not be deactivated, as it is quite possible it will house one of the components of the air defense system and be equipped with long-range missiles. Air Force Gen Delio Jardim de Mattos arrived at the Canoas Air Base (15 kilometers from Porto Alegre) at 1530 hours and today will attend the ceremony for transferring command of the 3d Army. Upon arrival, he said his trip to the South "is in honor of two long-time friends"--Gen Antonio Bandeira, who is leaving the post and active Army duty, and Gen Antonio Ferreira Marques, who will take command and who was his classmate at the Military Academy, as was President Joao Figueiredo. [Text] [Rio de Janeiro O GLOBO in Portuguese 8 Jan 81 p 7] 8834

**FRANCE BUYS 41 XINGUS**--Sao Jose dos Campos--On 15 January the French government will sign in Brasilia the contract for purchasing 41 Xingu aircraft, with an option to buy 9 more units, to be produced by the Brazilian Aeronautics Company (EMBRAER). O GLOBO was told yesterday by the company's commercial director, engineer Ozilio Carlos da Silva. The contract is budgeted at \$55 million, which represents 65 percent of EMBRAER's 1980 sales, and production of the aircraft will begin this year. Engineer Ozilio Carlos da Silva said that formalization of the order, which was the target of intense polemics in the Paris press on the part of Cessna, of the United States, which lost the bidding competition, will coincide with the period of President Figueiredo's trip to France. The aircraft to be bought in Brazil are to re-equip the French Air Force Academy, which chose the Xingu turboprop as an ideal training instrument for its pilots due to its quality, low operational cost and

competitive price compared to those of Cessna and Beech, both U.S. companies, as well as the excellent performance shown by the aircraft in the battery of tests to which it was subjected. [Text] [Rio de Janeiro O GLOBO in Portuguese 10 Jan 81 p 17] 8834

RESERVES DECLINE--Brasilia--The Central Bank announced yesterday that the balance of exchange reserves on 31 December was \$6.9 billion. Of this total, \$1.1 billion is in gold; \$383.8 million is in Special Drawing Rights; \$344.0 million is in reserves with the International Monetary Fund; and \$5 billion is in convertible currencies. The balance of exchange reserves on 31 December 1979, according to Central Bank data, was \$2.8 billion higher than now, or \$9.7 billion. Reserves in gold at the end of 1979 were \$722.2 million (\$421.1 million less). The most pronounced drop among the items that make up the Brazilian exchange reserves occurred in convertible currencies, which fell from \$8.3 billion on 31 December 1979 to \$5 billion on 31 December 1980, a loss of \$3.5 billion. Brazilian reserves in the International Monetary Fund rose from \$241.5 million on 31 December 1979 to \$344 million on 31 December 1980. Special Drawing Rights were practically unchanged, varying from \$383.2 million on 31 December 1979 to \$383.8 million on 31 December 1980. According to the foreign affairs director of the Central Bank, Jose Carlos Madeira Serrano, monetary authorities will maintain the same trend in 1981 as in 1980. In 1980 it was estimated that foreign loans would be \$13 billion and there were \$13,738,900,000 contracted, of which \$2 billion will not arrive until 1981. [Text] [Rio de Janeiro O GLOBO in Portuguese 6 Jan 81 p 16] 8834

8834

CSO: 3001

## SWEDISH EMBASSY STILL OCCUPIED BY HOMELESS

PY162312 Paris AFP in Spanish 1417 GMT 15 Jan 81

[Excerpts] It was reported here that the homeless people who occupied the Swedish Embassy in Santiago Wednesday were stubbornly staying in the premises today, while the Chilean Government refused to discuss the housing problems with the group that provoked the action.

The 50 occupants of the embassy, among them 14 children, spent the night in the gardens repeating the warning that they will request asylum from the Swedish Government if the local authorities do not accept their point of view.

A spokesman of the embassy told AFP that the peaceful atmosphere has remained unchanged on the premises during the recent hours, but he declined to comment on how the situation may come out after the talks that are being held this morning.

The day of the occupation, the embassy refused a government offer to dislodge the occupants through the use of an armed police force; but at the same time, the embassy stated that it considered the housing request as a matter of Chilean internal affairs.

Jovino Novoa, government secretary general, condemned the aborted attempt of 500 other homeless people who took over empty government lots in a suburban district of Santiago the same day the embassy was occupied.

This occupation, broken up by carabineros, was preceded by an attempt to set fire to a government office in charge of housing problems.

The leftist Popular Resistance Militias (MPR) took responsibility for the fire in a communique distributed to the press in which they criticize the housing policy adopted here.

In Chile there is a housing shortage of 700,000 houses, which involves 1/3 of the country's population of 11 million.

Novoa said that there is a housing problem in Chile, but we are making the greatest efforts to solve it in the shortest time possible.

He noted that the occupations of the embassy and of the church, where the homeless people sought refuge after being involved in taking over the government lots, were carried out in a coordinated way and with passwords, which shows that there is a determination to provoke a conflict.

The occupants of the embassy handed over a petition to the authorities in which they ask for decent houses for the homeless people involved in the two incidents, a larger housing project backed by the state and sanitary and nutritional assistance for the poor inhabitants of Santiago.

CSO: 3010

## RETURN OF ENAP TO PRIVATE SECTOR DISCUSSED

Santiago HOY in Sp. ish 10-16 Dec 80 pp 27-29

[Article by Gabriel Figueroa]

[Text] In recent days there have been insistent rumors about the formation of a new enterprise in the Cruzat-Larrain group, which would join forces with a second fuel distributor and become part of the Chilean Oil Company (COPEC).

But HOY has learned from further investigation that the principal stockholder is the second of the two largest groups: the Javier Vial group. According to the announcement in the Official Gazette of 24 November, the charter of the Maritime Fuels Company, Ltd (SOCOMA) was amended, making the principal partner Empresas Mineras BHC, with 51 percent of the stock.

With the formation of this new entity (which the magazine QUE PASA claims has strong ties to the transnational Texaco), there will be four fuel distributors in the country: COPEC (of the Cruzat-Larrain group), the multinationals Shell and Esso, and SOCOMA, the one most recently formed.

It was in this context that the budget director, Juan Carlos Mendez, announced on 1 December that a second "rationalization and destatification" of the public sector enterprises would take place soon. He indicated that it was "highly probable" that the private sector would take over many of these state enterprises' activities.

Those who were in on the secret formation of SOCOMA could not help but put two and two together. "If the state enterprises such as the National Petroleum Enterprise (ENAP), which extracts, exploits and sells petroleum, are put into private hands," one economist told HOY, "it is obvious that there is good reason to form another fuel distributor."

## Halt Growth?

Mendez stressed that among the corporations that will be rationalized and destatified are the Chilean Electric Company, Ltd (CHILECTRA), the Pacific Steel Company (CAP), National Electric Power, Inc. (ENDESA), the Telephone Company, the Chilean National Airline and the National Explosives Enterprise (ENAEX). In practice, these entities would not be put up for bidding anyway; they would be taken over by new owners, because this year, for the first time, the government did not include them in the national budget.

According to the Treasury Ministry spokesman, "due to their size and monopolistic nature, (public enterprises) are the source of immeasurable distortions and a potential permanent obstacle to the nation's growth."

Although Mendez did not mention ENAP among the enterprises, it was odd that his final argument was very similar to an EL MERCURIO editorial (24 October).

That newspaper, commenting on the "state monopoly" situation in the processing of fuels--and energy production--pointed out that "monopolies tend to exploit the consumers, regardless of who owns them."

#### Holding Company

The day after Juan Carlos Mendez made his statements (which HOY has learned caused quite a stir among military circles), an announcement paid for by the ENAP workers appeared in the press. It stated that the workers have learned from the authorities of the enterprise that as of 1 January 1981, the institution will function as a holding company.

HOY asked for more background details from the general manager of ENAP, economist Ernesto Silva. However, the answer given was, "Until the supreme decree signed by President Pinochet comes out, implementing what the workers announced, the manager will make no comment."

The workers fear the formation of the holding company, they told HOY, because it is the first step toward transferring the enterprise to the private sector. Jorge Navarro, adviser to the Society of Engineers and director of the Santiago Union of Terminal and Seismic Equipment Workers, Local 8, of ENAP, pointed out that "the creation of a holding company will mean breaking up the enterprise into several units which will depend on a central headquarters and which can be independently negotiable." The director indicated that the four corporations to be created from ENAP will be limited liability companies for 3 months. Afterwards, in April, they will become corporations, which means that they can issue stocks that anyone can buy.

A source consulted by HOY revealed that the idea of creating a holding company from ENAP came from the National Planning Office (ODEPLAN). In last year's ministerial programs the idea of dividing the enterprise into smaller productive units was considered. ODEPLAN recommended the same plan for CAP, CHILECTRA, ENDESA and other state enterprises.

#### Divide and Sell

In the specific case of ENAP, the idea was to divide it into six or seven units. But the ENAP board of directors (its president is now the minister of mining, Rear Adm Carlos Quinones) modified the ODEPLAN idea and proposed the creation of four subsidiaries: one for the exploitation and exploration of deposits (Magallanes), two independent refining entities (Concon and Concepcion), and finally a fuel storage enterprise.



The formation of these four units implied also the maintenance of a central head, or holding company, which would function as a coordinator and comptroller. It would be made up of ENAP, with 99 percent of the capital, and the Production Development Corporation (CORFO), with 1 percent.

According to Atty Rodolfo Machuca, former legal adviser to the Aeronautical Office of the Chilean Armed Forces and currently adviser to the oil workers, "since ENAP cannot be directly turned over to the private sector because that is expressly forbidden in the organic law which created it in 1950 during the administration of Gabriel Gonzalez Videla, this new way has been found to turn it over to private hands."

In his opinion, the danger lies in the fact that now any decision affecting ENAP's ownership should be made with the consultation of the Government Junta Advisory Committee. But when the four subsidiaries function independently as limited liability companies, decisions will be made exclusively by their respective boards of directors, "which will then be made up of civilians, not military personnel."

Among the names mentioned as possible heads of the holding company is that of the current general manager, Ernesto Silva, a former ODEPLAN executive who later served on the Chilean Copper Commission. Some observers link him with the economic groups. When he left the Commission because of what some called "a military monopoly of functions," he went to work in the study group of the former minister of economics, Pablo Baraona, in COPEC.

#### Competitors without Counterweight

All speculation aside, it is clear that ENAP is going to be broken up. Jorge Blanlot, secretary of the Union of Terminal and Seismic Equipment Workers, Local 8, stated that "if the state divests itself of part of ENAP and keeps only the crude oil exploration and development functions, all the big financiers need to do is acquire the warehouses and pipelines for transporting the oil, and of course the two refineries."

The situation that would ensue is highly dangerous, in his opinion. "ENAP, without refineries, would have to sell abroad the crude that it extracts from the ground, and the current distributors would not have the state counterweight to be able to set the price of fuel, which is now unregulated," said Blanlot.

This leader, an engineering graduate of the military polytechnic academy and a retired captain, says that in this manner the absurd point would be reached at which the state would be left with only the exploitation and extraction of petroleum, which are the least profitable functions.

He explained, "In Chile we spent about \$1 million drilling a well to see if there were hydrocarbons under the ground. It is well to recall that of 1,827 wells drilled before 1978, 879 were dry."

Atty Rodolfo Machuca questions the economists who assert that the state enterprises are not profitable. "In the history of ENAP, there were only two periods with budget deficits. On both occasions, the enterprise bailed itself out with its own resources."

This expert, who was an adviser to retired Gen Gustavo Leigh, former member of the Junta, stated that "serious countries such as Brazil, Great Britain, France and other Third World countries are increasingly reinforcing the state infrastructure in the oil sector, investing in refineries and pipelines."

He concluded by pointing out the case of Brazil: "It is symptomatic that the country that originated the doctrine of national security, Brazil, has come to use the public sector in this way."

The discussion about whether or not the state enterprises are to be turned over to the private sector seemed to change in tone on Thursday 4 December, when General Pinochet assured the nation that these enterprises will not be transferred to private hands.

With regard to ENAP, the question is: Will the idea of the holding company still be in effect?

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CSO: 3010

## BRIEFS

EUROPEAN PARLIAMENT MEMBERS VISIT--Yesterday after a meeting with representatives of the European Parliament interim Foreign Minister Ernesto Videla pointed out that the Chilean Government will maintain its position and will not be influenced by any foreign action. Col Ernesto Videla met with (Egon Clebsh), president of the European Popular Party, and (Maria Luis Casamanago), of the Italian Christian Democratic Party. Videla said that the parliamentarians had questioned him on the Andres Zaldivar case, to which he answered that the government's position has already been released by the Interior Ministry. He added that he explained to them that the position of the Chilean Government is quite clear and that there are no changes. [Excerpt] [PY201332 Santiago Chile Domestic Service in Spanish 1000 GMT 20 Jan 81]

NAVAL AVIATION CHIEF--Rear Adm Ernesto Huber von Appen has been installed as the new commander of naval aviation. The new commander was promoted to rear admiral as of 1 January 1981. [PY192259 Santiago Chile Diplomatic Information Service in Spanish 0241 GMT 10 Jan 81]

NEW MIRAGES--Santiago, Chile, 9 Jan (TELAM)--The Chilean Air Force has announced that four new Mirage-50 aircraft, assembled in Chile under French supervision, are in full operation. There are now eight Mirage-50's in operation in Chile. [PY192259 Buenos Aires TELAM in Spanish 2130 GMT 9 Jan 81]

JOINT ANTARCTICA KRILL RESEARCH--Santiago, 13 Jan (AFP)--Chile, Argentina, Poland, South Africa, Japan, France, Germany, the Soviet Union and the United States will participate in a joint krill submarine research program which will begin on 28 January at the Almirantazgo Bay of the South Shetland Archipelago. Chile will send its oceanographic ship Itzumi and a team of 20 scientists and government specialists. The scientists of the above countries will confer aboard the FRG ship Walter Herwig to plan their 40-day research work, which will be conducted primarily through the Russian icebreaker Odissey. [PY202235 Paris AFP in Spanish 1347 GMT 19 Jan 81]

JOURNALISTS PROTEST JOURNALISM TREATMENT--Santiago, Chile, 13 Jan (AFP)--Today, here, the Chilean journalists voiced their strong indignation at a decree law on universities which excludes their career from those entitled to a university degree. At the same time they requested President Augusto Pinochet to restore journalism to its stature of an exclusively university career due to the importance it has, something which no modern leader is unaware of. The journalists' position regarding the military government's decision to limit university degrees to 12 careers countrywide was disclosed through a public statement of the metropolitan council of the Journalists Association which includes all the journalists in Santiago. [Text] [PY141602 Paris AFP in Spanish 1422 GMT 13 Jan 81]

## TECHNIQUES OF U.S. 'PROPAGANDA' CAMPAIGN DISCUSSED

Havana GRANMA in Spanish 4 Dec 80 p 2

[Article by Roberto Alvarez Quinones]

[Text] An old "wolf" of Yankee ideological misguidance, Edward Murrow, former head of the USIA (United States Information Agency) once said very clearly, "The mere introduction of uncertainty into the thinking of convinced people is in itself a major achievement."

There is no question that he was revealing the strategic nature of the American imperialists' "psychological warfare," "ideological sabotage," and open and covert propaganda, used for ideological misguidance against the community of socialist countries, progressive forces, and revolutionary movements throughout the world.

He was disclosing, in short, a basic objective of anticommunism, the primary weapon wielded by the bourgeois ideology against the ideology of the proletariat, the former having, for over a century--since Marx and Engels were alive--inspired vilification of socialism in theory and in practice. Its purpose has been to influence the thought and the conduct of the exploited people of the capitalist countries and also to negatively affect the spirit of those building socialism.

Of course, the coarse, crude anticommunism that accused Marxism of wanting to destroy the pillars of civilization, the family and morality, was evolving while the ideas of scientific socialism were being consolidated and put into practice, not in just a single country but in a number of countries on several continents. Even anti-Sovietism, the most common strain of anticommunism since the triumph of socialism in Lenin's fatherland, was modernized, updated, and cast off its traditional troglodyte's clothing.

In the late 1950's and early 1960's, because of the progressive worldwide tilting of the scales in favor of socialism, the leaders of the American imperialists and the entire western world, because of their deep, resolute opposition to communism, made a top priority, and even official policy, of covert ideological penetration. This was to be achieved through use of the numerous deceptive forms of bourgeois propaganda.

Right after the October Crisis and the infamous "quarantine" of Cuba, John F. Kennedy, a true pioneer of the ideological misguidance practiced these days by Washington, proposed to the entire capitalist world what he called "a peaceful ideological offensive" against the true socialists.

"It has become clearer than ever," Kennedy said, "that in every corner of the globe we shall have to wage a battle without quarter that will go far beyond the limits of the confrontation of armies, and including even nuclear armament . . . We intend to engage our forces in a struggle that in many ways is more difficult than war. . ."

With these words, President Kennedy publicly admitted--while inviting the rest of the capitalist countries to follow suit--that counterrevolutionary propaganda, especially ideological misguidance, was becoming an integral, important part of U.S. foreign policy.

Following the defeat of the imperialists on the sands of Playa Giron and in the October Crisis, Washington in effect found itself forced to temper its anti-Cuban language. On 2 January 1963, speaking of an address by the American president, Fidel said, "It's very strange for us to hear the chief of the Yankee imperialists speak of economic exploitation, speak of agrarian reform and speak of those things. When did he speak of them before? Never! Obviously, they aren't saying it sincerely."

As people will recall, the so-called "Alliance for Progress" was a patently deceptive ploy by the United States at that time, carried out on a continental scale, directed against the Cuban Revolution. However, the ploy soon failed because of the total incapability of the "alliance" to bring any progress at all to the people of Latin America.

It should be explained that according to the CIA plan disclosed not long ago by Philip Agee--who served in that agency for 12 years--in his book "Inside the Company. CIA Diary," imperialist propaganda is divided into three categories: "white" propaganda, which flows directly from official sources and is produced in the name of the imperialist governments themselves; "gray" propaganda, which emanates from government sources that are relatively closely identified with official agencies or can be suspected of speaking for them although the link cannot be seen clearly; and "black" propaganda," whose true sources are hidden and even disguised.

For example, "black" propaganda involves publications issued by "extreme leftists," "extreme radicals," or organizations that appear to be very revolutionary, but these publications are actually written and supported by the CIA to divide, confuse and sabotage the legitimately revolutionary, communist movement.

Clearly, under the present circumstances of deepening ideological struggle between socialism and capitalism, the objective tendency of imperialism is to make increasing use of "gray" and "black" propaganda.

Thus, it is common nowadays to observe that the bourgeois propagandists, without renouncing direct aggression or open defense of their ideas where they consider it possible, prefer that subtle, disguised form known as ideological misguidance.

According to our party's "Theory of the Ideological Struggle," ideological misguidance "is a covert, underhanded effort that consists in criticizing Marxism from allegedly Marxist positions under revolutionary, progressive guise, or at best feigning impartiality or objectivity; that tries to introduce ideas contrary to



socialism into the revolutionary ranks, presenting them as socialist or as favorable to socialism or as new ideas 'superior' to those of socialism which improve or perfect it."

Thus, lately throughout the west there has been a burgeoning of thinkers and theorists who, disguised as "progressive" intellectuals, give speeches and write articles and books about the "aging of Marxism" or attempt to undermine real socialism by proposing formulas for "the mass society," the "postindustrial society," the "new socialism," "democratic socialism," "market socialism," and so forth. The central concept in all these theories is the "theory of convergence," according to which capitalism and socialism are moving toward a new hybrid system in which the two socio-economic systems merge.

Of course, so-called "white" or official propaganda is not excluded from the ideological misguidance effort. The imperialists' propaganda apparatus includes everything: manipulation, open or not, of the communications media (the press, radio, TV, film), publication of "comic" books and pamphlets, official or covert propaganda agencies; "philanthropic," cultural, youth, educational, social and scientific organizations; commercial advertising, music, art, and so forth.

In a later article we will deal with this enormous imperialist propaganda apparatus and its constant improvement.

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CSO: 3010



## COOPERATION AID TO SOUTH YEMEN DESCRIBED

Havana **GRANMA** in Spanish 4 Dec 80 p 6

[Dispatch by special correspondent Rodolfo Casals]

[Text] Aden--For 17 years, since the South Yemeni revolution was launched on 14 October 1963, the Cuban people have followed with interest the development of events in this small country located in the southern Arabian Peninsula.

Shared revolutionary identity and the strong bonds of friendship existing between the two countries have been strengthened by the creative activity of Cuban workers. With their daily effort they have contributed, and continue to contribute, on Yemeni soil to our brother people's struggle to overcome the traditional backwardness stemming from 129 years of British colonial rule.

With the arrival in late 1972 of the members of the first medical assistance brigade in Lahij, the capital of the second province, civilian Cuban cooperation with the People's Democratic Republic of Yemen began.

Subsequently, technicians and experts in livestock, poultry, mining, fishing, tobacco, education and sports arrived, along with professors of medicine.

The sharing of their experience by the Cuban internationalists who have worked in democratic Yemen these 8 years has led to significant achievements, according to Daniel Iglesias, chief of the economic cooperation office.

The most important, he noted, are the creation in 1975 of the School of Medicine in Aden, the insuring of the availability of medical aid in the second province, the establishment of poultry breeding to guarantee the population a supply of chickens and eggs, the beginning in 1973 of artificial insemination for propagation of sheep and cattle, the installation of a laboratory for the processing of semen, the introduction of the technique for freezing semen capsules and the selection of land suitable for the planting of Virginia tobacco.

At present, Iglesias said, in four of the six South Yemeni provinces, Cuban internationalists are working in the fields of artificial insemination, poultry-raising, construction, fishing, education, tobacco-farming, sports and maritime transport, as well as at the School of Medicine and in the medical aid brigade. Moreover, as a part of the cooperation program, young South Yemenis are studying at Cuban universities or being trained for middle-level technical careers in various fields.

Speaking for our internationalists, Iglesias observed that working in democratic Yemen provides the twofold satisfaction of fulfilling one's patriotic, revolutionary duty and of sharing in the affection for and recognition of the Cuban Revolution, its leaders and people expressed by each of the 2 million South Yemenis.

One of the most notable groups taking part in Cuban civilian assistance is composed of the comrades providing advice about ports and shipbuilding.

Within this group, Angel Martinez, Jorge Martinez and Jorge Rodriguez are involved in the organization of all port activity--the loading and unloading of ships, warehousing, training, and so forth--as well as the training of supervisory personnel for the management and monitoring of the work. Meanwhile, Victor Douglas, Heriberto Marturel, Antonio Ensenat, Manuel Mesa and Juan Parris--the last-named being head of the group--are performing the same task at the ship repair yard.

"Our specific work"--Parris said--"consists in advising our South Yemeni counterpart in the field of expertise of each member of our group. This doesn't mean that we don't take a direct part in production whenever necessary, such as, for example, in the recent successful construction of the launching way of a shipyard that was having problems."

When they arrived in democratic Yemen a year ago, the advisers in maritime transport were asked to conduct a study of conditions at the ports and shipyards to uncover problems that were affecting production. The following month they presented the solutions, many of which have been carried out:

Installation of a gantry crane at the repair shops.

Expansion of facilities for hull work, boilermaking, machining and electricity.

Cleaning of the yards.

Improvement of environmental conditions.

Use of worker safety measures.

Reorganization of the shipyard in accordance with the flow of work to achieve greater productivity.

"Moreover," Parris went on, "an information flow has been created among the cost, finance and accounting departments, South Yemeni experts have been trained in the planning of production operations, and courses have been given in planning, technical drawing and electricity.

In recognition of the exemplary attitude of this group of advisers, the Ministry of Transportation of the People's Democratic Republic of Yemen has asked them to continue their work in the country for an additional 6 months after the end of their 1-year commitment.

## MEDICAL FACILITIES ABOARD FISHING VESSELS DESCRIBED

Havana MAR Y PESCA in Spanish Oct 80 pp 18-21

[Article by Pedro Morales]

[Text] "And how many years has it been since you graduated?"

"Four years."

"How long have you been working here, in the Medical Department of the Ministry of the Fishing Industry?"

"Exactly that long. This is my postgraduate work. Actually, we're supposed to serve for only 3 years, but it's almost always necessary to extend that period, which we doctors understand perfectly well, of course."

"Why is it necessary?"

"Maritime medicine is a specialty. It's not easy to train a doctor for this field, which has very special characteristics. . . ."

"Have you always been here, on land?"

"Of course not. I was in the North Atlantic for 4 months in 1977. In 1978, I was in the South Atlantic for 6 months; and I recently worked on the motor ship 'Oceano Artico.'"

The interview with Dr Jose Luis Jimenez opening this article is an introduction to a report on an activity related to our seamen that, although dealt with previously, is a subject of continuing interest.

In the history of our country's fishermen, an extremely depressing chapter is the record of the total neglect they suffered. The economic exploitation to which they were subject forced them to accept, among other hardships, limited use of medical services, even when they were most needed. Yet a careful reading of the foregoing interview should have disclosed that the furnishing of medical attention to our seamen is now as commonplace as the fishing itself; this assistance is one more activity that, like others, naturally, derives from the existence of the fisherman himself. In the interview, reference was also made to two issues of great significance to our purpose here: First, maritime medicine is at

present a specialty; second, the doctors practicing this specialty are providing their services both at clinics on land and aboard our fishing boats in distant fishing grounds. Farther on, we will discuss the breadth and depth of the health care given our fishermen; and we will talk about the success in training a large number of maritime nurses, who are essential to continued efficient work in the land-based clinics as well as on each of the fishing boats and refrigerator ships.

#### Within the Department

The Ministry of the Fishing Industry's (MIP) medical services are organized for care of the deep-sea fleets, the intermediate fleets, the Fishery Institute "Andres Gonzalez Lines" and other MIP departments. They also perform medical checkups for cadres at the ministry and its enterprises as well as carrying out other minor tasks. In addition to a major clinic or polyclinic, the department has a medical station in the gulf fleet and another in the aforementioned Fishery Institute, where there is also a modern dental clinic. For work at sea, a certain number of doctors is assigned to each fishery zone, depending on the number of ships operating there, the distance, and so forth. Each boat has a maritime nurse and the equipment essential to his work.

The doctors in the fishery zone are responsible not only for watching over the fishermen's health but also for monitoring hygienic conditions on board, dealing with matters concerning diet, insuring observance of epidemiological standards and many other tasks.

As for the maritime nurses--true specialists in their field--they are an important extension of the doctor. Trained in special courses organized by the Ministry of Public Health in coordination with the MIP and other agencies involved in maritime activity, the maritime nurse, it could be said, is often the person responsible for the seaman's life. We should explain this in another way: When working on land, a nurse need only follow the doctor's instructions, in addition to performing natural observation of a patient. Aboard a ship at sea, a nurse must be prepared to deal with emergencies, including carrying out minor surgical procedures; and he must face alone situations that urgency and distance from the doctor present.

The course of study for maritime nursing--one class recently completed its program--lasts 3 years. The courses taken are, for the reasons already noted, somewhat different from those for other nurses. Of course, the first requirement for a maritime nurse is to have a desire to work at sea. A nurse serves on each ship in the MIP's deep-sea and intermediate fleets, and the history of the fishery industry contains many pages of heroism and dedication written by these nurses.

Postgraduate social service for doctors attached to the fishing industry is supposed to last 3 years; but Dr Irais Constantin has the following to say regarding this:

"Although theoretically the postgraduate period is 3 years, this is clearly a specialty that requires training, experience. For a doctor at sea, conditions, the way the work is done, are not the same as they are for a doctor working at a polyclinic or a hospital. On land, the specialist always can seek outside

assistance. But that isn't true for us because we often are working many miles from shore. That's why here postgraduates always extend. It's the only way of making the most of experience that took years and money to produce. It's very rare for one of our doctors to be unwilling to extend for a certain period our time with the fishery service."

#### Necessary Medical Attention

A fishery worker's health care begins the moment he seeks a job. At this time he undergoes a pre-employment examination, and a summary of his clinical record is requested from his local health center. Although not everyone has a file at his polyclinic, by this means it has been possible, for a number of job candidates, to rule out countless disorders that otherwise would not have been discovered in the pre-employment examination. Moreover, the first examination makes it possible to detect some problems that eliminate candidates for fishery work.

In order to go to sea, the fisherman receives all the necessary attention with respect to his international immunization, depending on the zone where he will work. He also is brought within national immunization standards, and he undergoes a more thorough medical examination, called the "pre-shipping" checkup. Its purpose is to both determine whether the fisherman has contracted some disease and take preventive measures. This examination takes a week, during which the fisherman continues to draw his wages in the normal fashion.

In the fishery zones, the medical aid system is organized in the way we will describe below. In each zone, of course, there is a number of doctors and nurses working under a medical chief-of-zone. Aboard the ships, in the fishing grounds, problems, whether involving disease or injury, are dealt with to the extent possible. When the disease is so serious that it cannot be dealt with there, the patient is sent to the central hospital in Havana, whatever means are necessary being used to remedy the problem. Naturally, the better the medical examinations performed on land, the fewer the problems arising at sea; hence the considerable attention given to preventive work among the fishermen. This is why the MIP medical services constantly try to improve the examinations with an increasing number of tests, by working more efficiently and by evaluating the subjects more thoroughly, among other efforts. As a result, most patients sent to Havana from the fishery zones suffered accidents rather than diseases that could have been detected earlier on land.

#### The Doctors for the Ships

We could begin by explaining that not all the ships in the MIP's deep-sea and intermediate fleets have the same facilities for the protection of crew-members' health. Nor do all the boats have the same conditions, nor are they all the same age. In addition, there are the particular character of the fleet, of the fishery work performed, and of the waters in which they are operating. The refrigerator ships, the largest in the fishing industry, are, of course, the best equipped; the trawlers belonging to the Cuban Fishing Fleet are always larger than those of the Cuban Tuna Fleet, for example; and these are larger than those of the Gulf Fleet, which operate in waters closer to Cuba.



"On board the transfer ships, the refrigerator vessels where the deep-sea catch is brought together," said Dr Alpizar, who on his last stint was aboard the "Moroboro," the tuna fleet ship fired on by two warplanes in the east-central Atlantic, "the facilities we have are genuine floating hospitals outfitted with modern equipment. We couldn't have more resources! All the instruments, the equipment for minor surgery . . . are the best. The boats in the gulf fleet, which are the smallest, have a magnificent sick bay, as complete as possible. Moreover, by means of radio we can arrange at any time for help from larger units, and even transfer to Cuba for more effective medical aid. I assure you that our deep-sea fishermen are well, but are well protected. For the gulf fleet, in addition, they are now working on development of a unit that travels with the doctor aboard a boat selected for that purpose, and thus the aid provided can be still more effective."

#### Looking to the Future

Since the work being carried out by the MIP medical services is truly important, the future of this department is also very important. How will the work be organized in the future? What improvements do they hope to make? Earlier we stated that the doctors remain with the MIP only for a more or less lengthy postgraduate period. In the long term, this interferes with the work being done there. For example, the maritime nurses spend their entire working life with the fishing industry. This makes it possible to accumulate experience that benefits the service. To train a doctor in maritime medicine is, regardless of its economic value, a considerable task that sometimes takes years. Thus, in the future this service will have to be made a specialty. That undoubtedly is essential to effective future operation of the department.

At the same time, the fishermen's own polyclinic will soon be expanded and improved, and specialties not currently practiced there will be added.

What is very clear, of course, is that besides making the acknowledged contribution they now provide, the Ministry of the Fishing Industry's medical services will continue to modernize; and they will move toward higher forms of organization to furnish increasingly efficient, skilled medical attention to our fishermen. In this way, the lives of men at sea will be protected as they deserve to be.

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CSO: 3010



## PACOREDO TERMS WARSAW PACT TOOL OF AGGRESSION

Santo Domingo EL NACIONAL in Spanish 13 Dec 80 p 38

[Text] The Communist Party of the Dominican Republic (PACOREDO) stated yesterday that the Warsaw Pact "is nowadays the main tool of aggression and subjugation in the world."

The statement by the communists in the PACOREDO was made in a document in which they assert that the strike of the Polish workers was "just."

The following is the text of the document:

"The Communist Party of the Dominican Republic (PACOREDO) joins its strength and voice with those of everyone defending peace and justice and opposed to the imperialist and social-imperialist policy of aggression and colonialization which nowadays has its greatest exponent in the Soviet Union, and which is seen in the direct Soviet threat to invade, colonize and crush the courageous nation of Poland.

"Because of the situation developing in Poland, there is clearer evidence than ever there of the expansionism and interfering spirit of Soviet social-imperialism, which serves both servility to the subjection to which the puppet gangs controlling the regime in the countries under the yoke of Brezhnev's Russia submit without a blush.

"The working people of Poland are not willing to continue submissive to the domination, of a colonial, social-fascist and social-imperialist sort, of the Russians. And, urging socialism, they demand that it have a truly Polish spirit and not be a system manipulated by the interests and objectives decided upon in the Soviet Union.

"The worker strikes have been so just and courageous that the authorities and the proconsuls of the Soviets in Poland have been left with no other alternative but to recognize their validity and give them citizens' rights, accepting the existence of the independent trade unions and many of their claims.

"But being too committed to the current tsars in the Kremlin, those in power in Poland cannot cease to threaten recourse to the intervening, aggressive power of social-imperialism, in a vain effort to slow the discontent which is spreading and growing despite the terror and the threats of which the new Soviet imperialists are the source.

"In order to orchestrate this new climate of uncertainty and powerlessness, seeking above all to implant terror and fear of a country which has become a thousand times more criminal than Yankee imperialism and Hitler's fascism, Brezhnev and his team ordered the closing of the Polish frontier with East Germany several days ago.

"The fact that Brezhnev has done such a thing reveals the meaning and the way in which the countries and peoples in the so-called 'Soviet orbit' are controlled by the Soviet leaders.

"But not only are these developments subject to criticism and obviously contrary to the true principles of socialism, for the fact that the Polish leading circle whose members are puppets of the Soviets appear to be blackmailing and threatening their own people and country, to the effect that if their demands and protests continue, these leaders will be forced to have recourse to the aggressive forces of the Warsaw Pact in order to impose a military situation, becomes an attitude which is repugnant and unacceptable, although extremely instructive.

"With this attitude, by means of which the oppressed peoples are able to identify their executions, this gang in Poland whose members are Soviet puppets confirm their commitment to the old methods and procedures characteristic of decadent regimes in which an effort is made to conceal the economic, social and other material shortcomings by forceful measures of a repressive nature. This traditional recourse, in addition to being hateful, is so familiar as to be powerless, because in proceeding along these paths it is never possible to overcome the evils found, but rather the vain effort to perpetuate them and to complicate matters somewhat more becomes evident.

"The fact that the so-called Warsaw Pact has had to meet, setting aside its mantle of hypocrisy and plainly revealing its status as a military tool of Soviet aggression and intervention, to proclaim a postponement of its plans to intervene in Poland, represents a sad and unpleasant spectacle. But in deciding to postpone its intervening action it is confirming what its real nature is and what the goals it seeks are.

"From the very moment the Warsaw Pact reached such a decision, it corroborated the denunciations made of its plans, and even more, it is confessing that its true intentions are intervention in Poland, like that in Czechoslovakia in 1968.

"But no one would dare assert now that this action in 1968, like that being planned against Poland now, was any accident. The social-imperialist nature of the Soviet Union, as well as the status of the Warsaw Pact as a military tool of a colonial sort, are becoming ever more obvious. And we Dominicans are very familiar with all of this. It is more than enough to recall our experience in 1965 and the role played by the OAS at that time.

"However, it would be an error to confuse the OAS with the aggressive and warlike Warsaw Pact. Being a military agreement under Soviet hegemony, the Warsaw Pact is nowadays the main tool of aggression and subjection in the world, to the point that not even NATO can be compared with it. The so-called IAPF [Inter-American Peace Force] which the U.S. imposed on the OAS in 1965 does not begin to compare with the warlike Warsaw Pact. No one should have any doubts about this.

"The guise of supreme saviors with which the Soviets seek to conceal their new status as international policemen merits repudiation from any point of view from which one seeks to approach it. Perhaps it would be well to recall those verses in the International which reject it precisely, saying 'No more supreme saviors, neither Caesar nor bourgeois, nor God, for we ourselves will achieve our own redemption.'

"It would also be just to condemn those incompetent and irresponsible persons in the leadership of the revisionist parties who promote crude intervention on the part of the Soviet superpower even in their own countries, confirming that they are true scum who profess a vulgar 'socialist' colonialism which Lenin flatly rejected.

"The situation existing in Poland, where the citizens themselves are prevented from resolving their problems and where they are not allowed even to set them forth and clarify them freely with their own logic, such that one who attempts to do so runs the risk of being accused of the worst antisocialist crimes and being cruelly punished, is frightening.

"Thus both the submission of the local revisionist leaders and the elimination of popular sovereignty are among the many aspects our people should note, so as to prevent people such as those in the PCD [Dominican Communist Party] and the PLD [Dominican Liberation Party], partisans to the death of the replacement of Yankee domination by the yoke of the Soviet Union, a desire in conflict with the most basic principles of socialism and the interests of the people, from raising their heads in our country."

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CSO: 3010

## MIDA: AGRARIAN REFORM DOES NOT BENEFIT FARMERS

Santo Domingo EL CARIBE in Spanish 13 Dec 80 p 8

[Article by Luis Dominguez]

[Text] Santiago, 12 Dec--Francisco Augusto Lora has said that agrarian reform is being implemented in the country for demagogic and political purposes "and not to benefit the farmer," and he termed the takeover by the state of land being worked productively a cause for "concern."

The president of the Antireelection Democratic Integration Movement (MIDA) said that the authorities "have abandoned the vast majority of the Dominican peasantry to their fate.

"This government, which promised mansions and castles in the peasants' areas, has shown only contempt for the situation currently being experienced by the Dominican peasantry," Lora asserted.

He expressed the view that to carry out true agrarian reform, it is necessary to offer financial resources, technical aid, farm equipment and tools and quality seeds, in addition to the land, "enabling the rural citizens to integrate themselves in the process of national production."

This political leader said that due to the inefficiency of the agrarian reform plans, thousands of peasants without other resources have had to sell their land.

According to the Santiago politician, the expropriation of farm land being productively worked is a symptom "of the worry which in fact has slowed agroindustrial investment in the country."

He added that the situations created by the takeover of the El Yunque estate in San Francisco de Macoris and the intention of the Dominican Agrarian Institute (IAD) to seize the lands of a number of plot owners in Constanza "are violating basic principles of our constitution, which proclaims respect for private ownership."

Lora made his statements in the course of an address delivered to announce the conclusion of the political activities of the MIDA for this year "in connection with the Christmas holidays, which we urge other political organizations in the country to observe."

He said that behind the seizure of the lands legally registered by their owners "are concealed obvious campaigns of an ideological nature against persons seemingly unaffiliated with the government."

He said that to halt the productive process on land where "agrarian reform has no reason to exist because of the technical level achieved" constitutes an attack on the economy of the nation.

"What the state should do here is to take over vast areas of public land, with unsuspected productive capacity, owned by the government, some of which is even in the hands of privileged private individuals," he said.

He added that the expropriated land which "previously was in full production has now been abandoned in more than 90 percent of the cases, thus reducing our crop and livestock production by this coercive and arbitrary procedure."

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CSO: 3010

## POLITICAL PARTIES DEEMED ESSENTIAL TO DEMOCRATIC PROCESS

Guatemala City DIARIO DE CENTRO AMERICA in Spanish 19 Dec 80 p 3

[Editorial]

[Text] Two opposing ideological poles divide the Americas, and primarily Latin America, and characterize the current political situation.

On one side, in Santa Marta, Colombia, eight presidents of Latin American nations and the head of the Spanish Government have met to celebrate the 150th anniversary of the death of the Liberator, Simon Bolivar. They have given this celebration the nature of a beacon that is being lit to emphasize the presence of representative democracy, to extol its values, and to project democracy throughout the Latin American region.

On the other side, in Havana Fidel Castro is inaugurating the Second Communist Congress attended by 1,700 delegates, and is raising the banner supplied by Moscow against "imperialism" and "bourgeois exploitation." But behind these slogans can be felt the harsh reality of governments imposed by force, of government exercised by small cliques affiliated with a single party, with the exclusive rule of the communist party, and the subjugation of the inhabitants of countries which fall under its rule in a mental and physical servitude which binds them as satellites under the hegemony of the USSR.

Given this situation of two ideological and political camps in opposition, this is a good time to analyze our country's position, both at this time and in the immediate future.

Guatemala has resisted the attempts at penetration and ultimate domination by the forces of the extreme left. Guatemala has been a witness of what is happening in the fraternal republic of El Salvador where two blocs, each competing for world power, have caused the deaths of thousands of Salvadoran people. Guatemala



### The March to the Sea...Only During Holy Week

Ever since Adolfo Ruiz Cortines spoke the words "the march to the sea" and Luis Echeverria said "we live with our backs to the sea," marches to Mexico's various shores have begun every year.

But don't go and think that the purpose has been to boost the production of fish and make Mexico a seafood-consuming country. No. Mexicans visit the ocean when it is vacation time, especially during Holy Week, when seafoods reach their peak prices.

The Department of Fishing staged a promotional drive to explain the importance of "protein," a drive that did not succeed in convincing people to eat fish.

During that week in April, the one that the country's ports enjoy so much every year, prices have risen as much as fivefold, with Mexican Fish Products unable to demonstrate the efficiency that it talks so often of in the National Fishing Plan.

As a matter of fact, Mexican Fish Products raises its prices along with the La Vega merchants.

With the creation of the Department of Fishing, in which all power regarding the sector has been concentrated, the present administration has tried to undertake this march to the sea. In retrospect, a great deal has been done in the maritime sphere, but too much remains undone. One of the main aims, as the National Chamber of the Fishing Industry points out, must be to work out a plan with the participation of all interested parties and to come up with appropriate solutions, not impose conditions.

"Fishing will not be expanded by decree," asserts Fernando Yllanes Gaxiola, while the Cooperative Confederation says that "we are moving forward" and the Department of Fishing points to graphs showing the rise in fishing activity.

### Investment Not Yet Quantified

How much is the country's fishing industry worth? Fernando Yllanes Gaxiola replies on behalf of the National Fishing Chamber: "No one knows. It's very hard to quantify."

Nevertheless, the Fishing Department's secret document discloses that over the past 4 years, including this year, the sector it coordinates invested 13 billion pesos; combined with the 26.23 billion pesos in projects undertaken by the social and private sectors, these investments have made possible the gains in developing this field of activity.

Nonetheless, no one knows how much this field of activity is really worth.

No one knows how many fishermen there are in the country and how large their per capita catch is.

No one knows exactly how many cooperatives there are.

No one knows how much debt the members of cooperatives are carrying in the country and overseas.

No one knows the potential of the country's ocean resources.

No one knows what seafood products can be caught and in exactly what amounts for subsequent onshore operations.

No one knows because the National Fishing Plan was drawn up from behind desks.

No one knows because even though the catch increases and outstrips demand, prices still rise.

No one knows because not enough ships are built in Mexico.

No one knows who the phantom cooperative members are.

No one knows, in short, what will happen with the envisaged National Fishing Plan or whether what was written up in Fernando Rafull Miguel's offices is really valid.

This, briefly, is the national fishing panorama.

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## ROBELO WARNS OF THREATS AGAINST DEMOCRACY, LABOR FREEDOM

Managua LA PRENSA in Spanish 7 Jan 81 pp 1, 12

[Text] Alfonso Robelo Callejas, former member of the Government Reconstruction Junta, at the opening ceremony of the Rallies Commemorating the Heroes of Liberty and Democracy Pedro Joaquin Chamorro and Luis Medrano on the night of Monday, 5 January, denounced evident Marxist-Leninist threats.

Calling attention to the negative impact of this phenomenon, he called for an unceasing struggle such as the one launched by those who fought for a true republic.

Robelo made the following comments:

"I would like to begin my brief remarks by addressing you the way Dr Pedro Joaquin Chamorro Cardenal used to do: 'Compatriots!'

"Compatriots, because I am certain that all of you share the ideals of Pedro Joaquin and Luis Medrano, two heroes of liberty and democracy.

"The commemoration we are beginning today is one more step in the open struggle against the enslaving totalitarianism that characterizes communist dictatorships."

#### Challenge

"This is the new challenge that faces all Nicaraguans who love justice and liberty. Before our eyes we see a military oligarchy that is trying to gain absolute control over our Nicaragua.

"Pedro Joaquin Chamorro and Luis Medrano fought to the death to see a genuinely free, just and sovereign Nicaragua.

"We are certain that if they were alive today, they would be here with us fighting to guide our revolution. Perhaps their most outstanding quality was that they were both uncompromising democrats.

"They were uncompromising even after death, because their generous blood gave rise to a fighting spirit that took over our entire nation and shocked the whole world. That is why today, as we are being systematically attacked with insults and effrontery, we should reflect on our commitment never to surrender in the face of

those despicable attacks. We must be convinced that only if we maintain an unceasing spirit of struggle will we live to see the new Nicaragua that those heroes dreamed of."

#### Undying Dream

In the last paragraphs of his speech, Robelo made the following remarks:

"Luis Medrano said at a workers' congress that 'the freedom to form labor unions is won with blood and sacrifice on the part of workers. To renounce that victory is to betray the libertarian ideals of those who died to obtain it.'"

"Luis Medrano did not give in; he died for his cause. If it were not for his death, today he would be standing here beside his brothers of the CUS [Confederation for Unity of Trade Unions] and the Federation of Nicaraguan Workers (CTN), who fought for a free, independent and uncompromising labor movement."

#### Pedro's Thoughts

"We all know how Pedro Joaquin thought. For our people he is not only the Martyr of Public Freedoms, but a genuine National Hero, although the Sandinist National Liberation Front (FSLN) majority on the Council of State has been petty enough to deny him the latter designation.

"Pedro Joaquin dreamed of a transformed Nicaragua, in his words, 'a social republic where the organized worker participates in government.'"

"A republic independent of foreign exploitation.

"A republic that determines its own destiny.

"A republic whose flag and coat of arms represent law, social justice and public morality.

"A republic where all citizens have equal opportunities.

"A republic where women are accorded their rightful position.

"A republic where the differences between the rulers and the ruled are eliminated by the free vote of the citizenry.

"A republic where the peasants, the poor, the deprived, are elevated to the position of human beings.

"A republic where the government's armed forces fulfill their function as defenders of national sovereignty and protectors of human rights.

"A republic where the right to work of all workers, peasants, professionals and businessmen is guaranteed.

"The dream of Pedro Joaquin and Luis Medrano is still far from our painful reality, but I am certain that if we continue to stand firm in our struggle, without succumbing to insults or pressure, there will come a day when our long-suffering /Nicaragua will become a republic once more/ [in boldface].

## ARCE DISCUSSES VARIOUS ASPECTS OF NATIONAL UNITY

Managua BARRICADA in Spanish 2 Jan 81 pp 1, 6, 10

[Article by Alberto Reyes]

[Text] Revolutionary Commander Bayardo Arce Castano, coordinator of the Political Committee of the Sandinist National Liberation Front (FSLN) National Directorate, discussed the national political scene at the close of 1980, before a group of journalists from different media yesterday.

At the press conference called by the Organizing Committee of the Patriotic Rally for National Unity, current events of great importance to national life were discussed.

"We have known ever since we began the National Unity project that not all sectors that remained in the country would accept the measures of our Sandinist Peoples Revolution with the same spirit and enthusiasm," he stated.

"We knew that because this revolution is changing the socioeconomic structures of the country for the benefit of the majority classes, the workers, peasants and employees who used to be excluded from material progress, from the goods and services generated by society."

## People's Rights Won

The rights of the people that were won on 19 July were "superstructural needs of the society of the past, from which the vast majority of the population was excluded," emphasized Cmdr Arce. "Access to the mass media, for example, the ability to make their interests and opinions known through the media, the ability to take advantage of educational centers or health services or housing facilities," all these were also kept from the masses.

"Thus, we are not surprised that as the Revolution has progressed, certain sectors have been affected in one way or another by that progress and have expressed disagreement with the basic philosophy of the Revolution."

Cmdr Arce, however, expressed the opinion that the idea of National Unity cannot be understood as requiring the agreement of everyone in Nicaragua.

## Real and Ideal Unity

Concerning this theme, which has been manipulated maliciously by the reactionary media, Cmdr Arce Castano stated that it can be interpreted in two ways: "The ideal way would be for all sectors of the nation, down to the last Nicaraguan, to defend our conquests and our future. But there is a broader unity which lies in the fact that even those who disagree with our Revolution **/are here/** [in boldface] deriving benefit from it in one way or another. If we had to look at the phenomenon of social confrontation in sharper focus, many of the things that 'some people' do here would be impossible.

"In this manner, National Unity is an inherent concept of the Revolution. Efforts to rebuild the country and reactivate the economy, and the results obtained in 1980, confirm that there is a unity of principles, a unity and communion among the great masses in support of the objectives of the revolutionary process."

## FSLN Predominant Position in Process

The journalists began asking about the recent events which led the Higher Council of Private Enterprise (COSEP) members to withdraw from the Council of State, and the consequent repercussions manifested in openly hostile campaigns, bordering on counterrevolutionary positions.

Cmdr Bayardo Arce clearly explained the role of the FSLN as a vanguard. Participation in the process has the force accorded it by the moment of its inception.

"Why is the FSLN the predominant political force in this Revolution? Because we began to fight against the genocidal dictatorship in 1961. We began to watch our brothers die in 1961, in 1963, 1965, 1967, 1970, 1975, . . . two decades. Therefore," he stressed, "it was logical that when the people decided to combat the dictatorship, it was the FSLN that they recognized as their principal leader."

Others. . .

"But there are others who joined in on 19 July 1979. The conservatives, for example, who until 17 July were in Venezuela looking for a way to create another government and find a **nonviolent** alternative to Somoza.

"What moral force could they have with our people? The same thing is now happening during reconstruction. Those who have been part of the process since 19 July at least have more credibility than those who joined later."

## Not a Business

"Some are even saying that they want to see how it goes before they will get involved. Maybe you have to be an investor or a businessman," said Cmdr Arce Castano, "to see how the business is doing before you invest your capital.

"People who think like that will have to enter the process from a weaker position. That is the price they pay for their attitudes about National Unity."



To explain further, Comrade Arce Castano gave a hypothetical example: "Suppose that we have now convened the Council of State next 4 May, and the COSEP organizations don't show up. We will reconstitute the Council of State."

#### Other Organizations Want To Join

The revolutionary commander warned that "there are many organizations with representation that want to be on the Council of State: the Chamber of Customs Agents, the Communist Party, the Workers Front, the evangelists, the Indigenous Communities."

Continuing with the example, he stated: "If we allow some of them in, and at the last minute the private sector people want to change their minds, what will happen is that they will have less than the six seats they now have on the Council."

"Or, in the case of CONAPRO [National Confederation of Professional Associations], which does not represent professionals, the confederation that is being organized could choose to represent them. Those are possible, hypothetical situations. The Government Junta and the National Directorate have not even discussed them."

A reporter asked Cmdr Arce about what he called other possible government positions if organizations join within the next few days.

"The Revolution has not given positions to any organization as such in the Revolutionary Government," answered Cmdr Arce. "We have called upon experienced professionals and technicians to work for us, regardless of what organization they belong to."

He cited the example of Ernesto Leal, vice-minister of COIP [People's Industrial Corporation]. He is a member of the National Board of Directors of the Nicaraguan Democratic Movement (MIN) and is managing the entire nationalized industry.

The cases of Dr Virgilio Godoy, Dr Cordova Rivas and Dr Arturo Cruz, as well as many others, illustrate that statement better.

#### Productivity the Key, Can Be Rectified

A journalist requested an explanation to dispel fears stirred up by enemies of the process against private enterprise.

Cmdr Arce was unequivocal. "Confiscations are a risk that they run too. We have said that if the owner of an industry or a private farm begins to lower the rate of production voluntarily and lays off workers, the government will intervene. If they are prosperous and productive, there is no reason to intervene."

"What is happening is that there is disagreement because they can't make the profits they used to make. Through taxes," he indicated, "they must pay their part of the social cost of this Revolution."

"It is expensive to keep a million Nicaraguans in school; a Single National Health System with free medicine is also expensive. The workers are doing their part through indirect taxes."

"In this way, any businessman, like so many who have already joined the process, can rest assured," he asserted. "We have clearly stated that we are going to carry out the Revolution with or without private enterprise, against it if we have to."

Cmdr Arce claimed that the Revolution respects all freedoms except one: the freedom to engage in a counterrevolution. "They should know the risk involved in trying to overthrow a government: the fate that awaits counterrevolutionaries is either jail or the grave, because we have won the rights of the people so that we can defend them."

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CSO: 3010

## SPIRIT OF NATIONAL UNITY RALLY PRAISED

Managua BARRICADA in Spanish 5 Jan 81 p 3

[Editorial]

[Text] The most important political event of 1981, without a doubt, is the reaffirmation of the unification policy set forth by the Sandinist National Liberation Front (FSLN) to carry out the tasks of National Reconstruction. This year priority will be given to defense and production.

The year 1980 was full of national victories such as the literacy campaign, the renegotiation of the foreign debt and the completion of the economic reactivation plan. However, the year was also marked by a series of attempts by minority sectors to break up National Unity on the political, military and ideological fronts. We need mention only the conspiracies of the FAD [expansion unknown], the antipopular efforts of LA PRENSA beginning in May, Robelo's maneuverings, the withdrawal of the Higher Council of Private Enterprise (COSEP) and the rightist parties from the Council of State, and the plot by Salazar, to demonstrate how many obstacles the Revolution had to overcome in order to maintain its course and make progress.

Despite the provocations, the revolutionary response has always been characterized by maturity, by intransigent defense of the interests of the majority and of the National Reconstruction program. That is the policy that has been supported by the workers who make up the Labor Union Coordinating Office, the small and medium producers who have begun to organize, the professionals and technicians who are assuming their patriotic responsibility, and the businessmen who have fulfilled their production commitments.

Practical experience has shown that just as Nicaragua needs the efforts of all sectors of the nation to confront imperialism and the manipulations of minority groups, it also needs the revolutionary leadership personified by the FSLN. That is why the vanguard, examining the situation from a revolutionary perspective, persists in its unceasing efforts to preserve National Unity. It is taking that action with a patriotic, anti-imperialist point of view, based on the hegemony of the revolutionary forces. It is not a question of "keeping up a facade," as the reactionary ideologues have asserted, but rather a revolutionary conviction about the correct way to carry out the Revolution in Nicaragua in order to throw off the shackles of dependence and underdevelopment. This is especially true as the imperialist threats to the Sandinist Revolution grow more intense, and international tensions in Central America become more evident.

Those considerations lie behind the Patriotic Rally for National Unity. In addition to paying homage to the many heroes and martyrs of the Revolution, the true symbols of patriotism (such as Pedro Joaquin Chamorro, Rene Tejada, Claudia Chamorro, Leonel Rugama, Roger Nunez, Roberto Vargas, Pablo Leal, the Baez Bone brothers and other patriots of April 1954), this rally is an appeal to all sectors of the nation to turn their commitment to that patriotism into a unified action revolving around the tasks of defense and production. This appeal does not apply just to the duration of the Rally, but to the entire year, and years to come. Our commitment to the heroes and martyrs, and to the history and future of our people, should be a lasting one if it is to be genuine.

That is the challenge to the entire nation presented by the vanguard.

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CSO: 3010

## COLUMNIST CLAIMS REVOLUTION IGNORING PEOPLE'S COMPLAINTS

Managua LA PRENSA in Spanish 27 Dec 80 p 2

[Article by Pedro J. Chamorro B.: "Change To Improve"]

[Text] Just as revolution is a synonym for change, there are those for whom change is a synonym for improvement.

Certainly, for there to be improvement, there must necessarily be change; but not every change is necessarily an improvement, a gain. That is why we must not change for the sake of change or because it is fashionable to do so, rather change to improve things. Every measure involving a change ought to be carefully considered, that is, ought to be subjected to a thorough analysis of its implications, its pros and cons, beforehand.

Nowadays, every economic low, every criticism, every kind of logical reasoning is routinely and unthinkingly attributed to "the bourgeoisie" or "imperialism," never to those changes that are not achievements, or better said to the failures.

There are among us closed minds which do not realize that a farmer or a worker can be dissatisfied with certain measures adopted by the revolution which are supposed to be working for them.

But going from the abstract to the concrete, let us look at two examples of certain changes that have generated very poor conditions for farmers.

In Ometepe I found that farmers were very displeased with the way in which their sesame crop had been bought from them, now that the state is the only possible buyer.

Now it seems that, when they were "exploited" by private companies, their crop was usually found to contain from 6 to 8 percent of dirt and moisture, which was deducted from the price at the time of sale.

But now, right after the victory, the sole purchasing state enterprise, CONAL [National Cotton Commission], has found 47 percent moisture and dirt in these farmer's sesame and consequently they have suffered a reduction of 40 percent in their income. If these farmers felt they were exploited before, how must they feel now with this new payment arrangement?

The second example: ENABAS [National Staple Foods Enterprise] has established that it is the sole buyer of basic grains, even before having a good distribution system. But after all, this is the way it must be because that is how it is in the socialist countries and, therefore, it must be good. But farmers have been protesting because they are not allowed to market their products and, in several instances, what they have worked for with the sweat of their brows has been seized.

I heard a small bean grower from Ometepe say: "We had to rent boats to secretly get our beans out at night to go and sell them as if they were contraband. We sold them pound by pound because the price set by ENABAS did not even cover our costs. We sold what belonged to us as though it were stolen. We do not like this and do not want to have to do it again this year because, if things do not improve, we will not plant our crops."

And this is not an isolated case, not by a long shot. Many farmers have related similar problems in LA PRENSA and they have been given the coverage they deserve because LA PRENSA is a pluralist newspaper that gives space to everyone: shopkeepers, cabdrivers, cheese merchants, tradesmen, cotton dealers, coffeegrowers, political parties, cattlemen, COSEP [Higher Council of Private Enterprise] members and members of the government.

The reality is that not everything is so rosy and, when people speak the truth, those who have sensitive skins are irritated, those who believe that they alone deserve to be flattered, because, since they are making changes, everything has to run perfectly and everyone has to be quite satisfied.

If there is discontent, it must inexorably be attributed to LA PRENSA, imperialism, and the bourgeoisie, which wants to sell out the country. Nowadays, all the bourgeois fall under this heading, since those who were "progressive bourgeois" are today called "people who sell out their country." Everything depends on whether or not they are "consistent."

But after all, we have to have change to improve the situation, to unite, not to divide, to produce, not to promote spectator sports and "mass" rallies, to seek out the free man in the new man and not to be alined, mass-produced.

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## COLUMNIST DEPLORES END OF PLURALISM IN STATE COUNCIL

Managua LA PRENSA in Spanish 1 Dec 80 p 2

[Article by Wilfredo Montalvan]

[Text] With patriotic fervor, we all remember that 4 May 1980 when the Council of State was inaugurated and the Day of National Dignity proclaimed in commemoration of General Sandino's decision to carry on the struggle against the betrayal of Moncada and foreign intervention. It was really a solemn act and detached from the disturbances that preceded it through violation of the government program that established 33, not 47, councillors. Everyone applauded that gesture of the Nicaraguan revolution which institutionalized pluralist and popular representation in that government body.

It was most inspiring on that historic day to hear Dr Ramirez Mercado speak of national unity, to hear Commander Arce invite the members of that great assembly to work for the supreme interests of the nation and to hear Commander Pastora turn the blue and white banner over to such a worthy body of representatives after recovering it from the Somoza Congress which he picturesquely referred to as "that Ragtag Band." While the Council of State did not have the powers inherent in such a body in the Western democracies, we thought that it would at least be a forum where the laws that would be establishing the legal and popular framework of our Nicaraguan revolution could be debated in complete freedom.

And it was no less than that. In an act of justice, for the first time workers, farmers, students, the clergy and various unions that had been shunted to the sidelines in the past, we repeat, for the first time these were going to be able to let their voices be heard and their influence felt there where laws of supreme importance for the nation were to be enacted. The steamroller, the watchwords from above, the concealed threat, flattery, common intrigue, all this which we rejected in the past, we thought that it had ended up on the scrap pile of history.

But it did not take many months before we began to with concern note the same gestures, similar attitudes, worn-out methods which, far from promoting the democratic spirit that should prevail in this council, reminded us instead of the attitudes we believed had been buried forever. It was enough for the chairman of the council — who, as we have already seen, must be a member of the FSLN [Sandinist National Liberation Front] — to voice an opinion for almost all of the remaining 36 members — and I say almost because we know that there are those who express their dissatisfaction only in private — to sometimes unthinkingly rush to support the

watchword of the moment. As patriotic and well-intentioned as the motions of the remaining 11 were, it was enough that they came from that faction for them to be considered to be a maneuver of the "enemies of the people." Any patriotic contribution from that sector was stigmatized, any motion distorted and any expression of good will crushed. This is how pluralism in the Council of State did not come to be a meaningless criticism. Frankly, I was saddened to witness the anxious appeals of MDN [Nicaraguan Democratic Movement] representative, Dr Alvaro Jerez, during the session that resulted in his resignation, to let him speak and the way in which he was treated. Is this what we have proclaimed to be maximal expression of democracy the paradigm of pluralism and a supreme demonstration of national unity? And this what we fought for?

Today the Council of State has ceased to be the most active expression of pluralism, only to turn itself into an assembly of FSLN members. The bills that are proposed or introduced are not debated, simply passed. That is a one-sided business because, "if discussion sheds light," there can be no discussion here since it would be misinterpreted by "the vanguard." And even more than being one-sided, it is tragic, because abroad we can no longer say that we have pluralism here, that there is liberty for all here, that national unity is firmer than ever and all those nice things that make our leaders so popular abroad.

There will be those who say that the means may be the same as in the past but that the end is different. At least these people offer something better than those who simply maintain: "That is why we are in command." But we do not believe, while we must be consistent with regard to pluralism and national unity, only what comes from the FSLN faction is good and everything else is bad. This is factionalism and it is even more serious when committed by those in power because from there to dictatorship is but a step. And we already know the evils our people have suffered because of dictatorships. There must be no prejudices in an assembly where men and women who have won the right to be free meet.

There must be debates, accountings and we must realize that no one is so wise that he cannot sometimes be mistaken and no one so ignorant that he cannot sometimes be right.

Let intellects shine, let this council be a volcano constantly spewing up ideas and let the nation's highest interests prevail over the parties or group interests. We believe that this is the only way to restore national unity and resume the path of reconstruction of Nicaragua.

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## DUTCH SUPPORT REPATRIATION OF SURINAMERS

Rotterdam NRC HANDELSBLAD in Dutch 26 Nov. 80, p 3

[Text] The Netherlands are prepared to give financial support to Surinamese who want to return.

[Text] Schiphol, 26 Nov — The Netherlands and Suriname have agreed to cooperate in formulating a re-emigration policy to promote the return of Surinamese from our country to the country of their birth. The Netherlands will also lend financial support to arrangements in Suriname which promote repatriation.

This agreement became part of the third addition to a treaty between the Netherlands and Suriname regarding travel between the two countries after 25 November of this year.

The Dutch government committee under H. Molleman, the director of minorities of the Interior Ministry, who discussed the subject in Paramaribo, returned this morning.

According to delegate and committee member Westhoff, director for emigration of the Ministry of Social Affairs, the financial details are still to be taken care of. Arrangements on this aspect will be made in the future. The discussions were held within the framework of the new treaty which provides for discussions to be held every six months.

## Agreements

Agreement was reached on: combined research into promising re-emigration plans, propaganda in the Netherlands, assistance by Dutch employment offices in filling vacancies in Suriname by Surinamese and Surinamese Dutchmen, assistance as regards the return voyage and housing, exchange of educational data, schooling and possible application courses.

According to the delegation the Surinamese authorities think positively about re-emigration. They would especially like the return of higher personnel needed to build up various government bureaus.

To induce top ranking civil servants in particular to go back to Suriname a recruitment committee was established in Suriname; Henar, its chairman, will soon go to the Netherlands. Suriname also promised to let the Surinamese ambassador in The Hague play an active role in the execution of re-emigration policies. Suriname also plans to open consulates in other parts of our country.

#### Increase

According to Westhoff the Surinamese are now leaving the Netherlands for their homeland at a rate of 50 to 60 per month. Since the present government came to power this number has been increasing every month.

Up till now there has been no cooperation in the execution of re-emigration policies. The Netherlands have been using re-emigration subsidies since 1976. According to Mollman all the previous Surinamese government did was talk. For instance, the Dutch delegation was now for the first time allowed to take a look at the results of a Surinamese study of the re-emigration pattern and its consequences. This study was completed under the Arron government. The Dutch delegation was rather impressed by its results.

The Surinamese authorities assured the Dutch delegation that there will be no difference at all in the treatment of Surinamese with a Dutch passport and with a Surinamese passport. Everybody will have the same privileges, for instance, as regards allocation of housing, land, and employment.

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CSO: 3105

## SURINAMERS IN NETHERLANDS WORRY ABOUT SURINAME'S FUTURE

Amsterdam ELSEVIERS MAGAZINE in Dutch 22 Nov 80 pp 23, 25

[Article by Sig. W. Wolf: "No Dancing. Funny Hats Stay in Closets When Suriname Celebrates Fifth Year of Independence"]

[Text] On 25 November Suriname will celebrate 5 years of independence. For the 200,000 Surinamese in the Netherlands it is nothing to be elated about; the mood is depressed by uncertainty and anxiety about the developments in their fatherland. Even militant Surinamese organizations in the Netherlands which liked to act as representatives of the feelings of the people and used to show enthusiasm for the government in Paramaribo are keeping quiet.

Ursie Bento, announcer of the weekly program Concern and Hope needed 10 minutes on Sunday to announce the meetings of Surinamese organizations. She gasped for breath when she read the names of organizations which want to draw 200,000 Surinamese to convention halls and club buildings next week.

The Surinamese community is preparing to celebrate 5 years of independence on 25 November.

Unlike previous years there is no room for exuberant festivities. The zest is gone. Especially now that ever more precarious news is reaching the Netherlands. The military who took over on 25 February are gradually losing their goodwill among their compatriots in the Netherlands. A member of the executive committee of a Surinamese society which organized big festivities in previous years says: "Under the circumstances there is hardly a reason to celebrate."

The anxiety and especially the urge to remain anonymous is characteristic for this committee member. Few Surinamese dare to say out loud that they have given up on their military rulers.

Nostalgia and the desire to scrutinize together the situation in the country of their birth brought many Surinamese together in meetings in the past months. Their clubs are thriving. In addition to 30 Surinamese welfare societies more than 130 clubs and foundations emerged in the past years. Many organizations confine themselves to convivial meetings or stage presentations inevitably followed by dancing.



Clubs often claim to speak for the entire Surinamese community. They pretend to speak on behalf of large groups while their following is often very small.

LOSON, an organization with a core of about 200 active members is remarkably active in this respect. As the National Organization of Surinamese in the Netherlands LOSON stepped in when the interests of Surinamese came under attack. Strong messages were sent throughout the Netherlands from political platforms and the secretariat in Utrecht.

LOSON was founded 7 years ago as an umbrella organization for some leftist student clubs. From the Surinamese community it recruited core members who have little difficulty in orally expounding their ideologies. Inspired by radical, leftist principles and theories they really succeed in making themselves heard.

LOSON's secretary Dieter Blom says: "We do represent the opinions of the Surinamese in the Netherlands. No social organization has so many active members as ours." During the 7 years of its existence LOSON followed a rather erratic course. After independence returning to Suriname was promoted on a grand scale. Persons who remained uncooperative were called bad patriots. The leaders vehemently attacked Surinamese who stayed in the Netherlands. Now, 5 years later, they do not appear to have given up their comfortable existence in the Netherlands for pioneer work in Suriname which they so loudly advocated. Is this an example of misleading the people by LOSON?

Dieter Blom: "After independence re-emigration was a spontaneous idea. We believed indeed that everybody should return as soon as possible. After a few years of independence social uncertainty and suffering appeared to be spreading under the government of Prime Minister Arron. Massive re-emigration became senseless according to us. We were forced to show restraint."

On several occasions LOSON manned the barricades as interpreter of the soul of the people to spread its over-changing ideas. After the coup of 25 February it was eager to support the military. Its copiers worked furiously. In almost every meeting of Surinamese a LOSON worker grabbed the microphone to convince reluctant compatriots of prosperous times ahead. After three members of the National Military Council were arrested on suspicion of a leftist counter-coup, support for the military leaders is crumbling. Dieter Blom excuses LOSON's switch as follows: "The revolution is no longer supported by the people. That makes it difficult for us. The people are hampered in their freedom to move around. They live under the pressure of the emergency situation. We repudiate the present government because it is trying hard to increase foreign influence."

At this point in time LOSON has little to gain by defending the government of Chin A Sen. Consequently it has changed its field of action to promoting the interests of Surinamese in the Netherlands and providing them with assistance. This field of action was up till now monopolized by the heavily subsidized welfare foundations. According to Dieter Blom these institutes failed in social areas important to the Surinamese, such as housing and employment. LOSON is therefore in the forefront when it comes to illegal occupation of houses and discrimination by employers and in discos.



The Front of National Support in the Bijlmermeer is upset about the fact that LOSON remains aloof from the government in Paramaribo. This organization also welcomed the arrival of the military in Paramaribo with much rejoicing. Two days after the coup a recruiting office was opened in the complex of apartment buildings in the Bijlmer and 600 Surinamese registered to go back. Up till now only 10 young men have had the courage to return for service in the national army.

In the Bijlmermeer, Rotterdam, and Utrecht the Front of National Support established people's committees to mobilize Surinamese and provide them with information which comes directly from the Memreboeko barracks in Paramaribo. "We have great difficulty in getting students to develop their own way of thinking and to avoid copying foreign ideologies," says Frits van Eijck, secretary of the Front of National Support. "Young Surinamese in the Netherlands are only interested in a Marxist revolution. That is worthless for Suriname." He is not surprised that enthusiasm for the government in Suriname is waning. "People expect wonders from Chin A Sen's government in a very short time. It is conveniently forgotten that the corruption and the moral decay of the Arron government will have to be eliminated first. A Surinamese model of its own will emerge from the revolutionary process and in the long run every Surinamese will feel comfortable about it."

To spread the ideas of the Surinamese military government the NOF [Front of National Support] tried to come to an agreement with the Surinamese-Dutch weekly newspaper which began to publish in the Netherlands 2 months ago. Paramaribo gave an orally confirmed bank guarantee. However, altercations with chief editor Paulus Mungra have interrupted the cooperation for the time being.

The NOF does not consider the depressed mood, which is the reason that funny hats will stay in the closets on 25 November, as a tragedy. According to secretary Frits van Eijck independence day should be seen as an occasion to accuse the old regime of ex-Prime Minister Arron. "On 25 November 1975 agreements were reached which were very disadvantageous to Suriname. Many Surinamese are forced to live in the Netherlands under degrading circumstances. We are therefore developing an extensive plan for the return of Surinamese to their country." Even now, under very unpleasant circumstances which still force hundreds of Surinamese to leave the country of their birth before 25 November? Frits van Eijck: "We do not support the leadership of an army or a government. Not persons but the revolution which has been put in motion is most important to us. We maintain our critical solidarity."

It is doubtful whether this critical solidarity is adequate to provide the Surinamese in the Netherlands with faith in the present government.

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COUNTRY SECTION

SURINAME

NETHERLANDS CDA OPPOSES ~~SURINAMESE~~ ILLEGAL ALIENS

Rotterdam NRC HANDELSBLAD in Dutch 26 Nov 80 p 3

[Text] Utrecht, 26 Nov -- Surinamers who are illegally in the Netherlands should not count on Parliament to work towards a general pardon.

P. van der Zeil (CDA) [Christian Democratic Appeal], who is a member of the Second Chamber and of its committee to welcome and assist Surinamese, expressed this opinion yesterday in Utrecht.

However, he does believe that discussions should still be held on the structure of family relations in Suriname and on the question of why there are no agreements on a re-emigration plan in the draft of the new treaty.

Mr Roseval, the director of the Federation of Welfare Foundations for Suriname, called denying a general pardon "something scandalous, more so for a country which often boasts of its hospitality and neighborly love." He believes that a denial would give local police authorities the chance to start a witch-hunt on illegal immigrants. He said that we seem to forget that we are dealing with former Dutchmen. He declared that the political parties have also not done enough to remind the government of this responsibility. It is his opinion that the Surinamese should be given adequate time to make up their minds.

PvdA Reaction

The PvdA [Labor Party] did not like Van Zeil's remarks. A PvdA spokesman called Van Zeil's statements "tentative." "He cannot act on behalf of the entire Second Chamber."

The PvdA asked State Secretary Haars and Minister Van der Klaauw for a policy memorandum and is now waiting for it.

The PvdA spokesman added that his party favors "regularization" or "naturalization" in some form or other. He does not want to use the words "general pardon," as that might give other groups of foreigners the wrong impression.

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